



**PORT AUTHORITY OF GUAM
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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, May 28, 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, May 28, 2009. Present at the meeting were:

- Monte Mesa, Chairman
- Jovyna Lujan, Vice Chairperson
- Marilou Lacson, Board Secretary
- Joseph Camacho, Member
- Glenn A. Leon Guerrero, General Manager
- Atty. Rebecca Santo Tomas, Co-Counsel

Also present were Jay Sunga-Senator Tom Ada's office, Lea Santos-Senator James Espaldon's office and Port Management staff.

Addendum to Agenda: The Chairman asked that the following item Travel Authorization Request be added onto the agenda under new business. There were no objections.

II. APPROVAL OF MINUTES

a. **April 23, 2009:** Mr. Camacho made a motion to approve the minutes of April 23, 2009 subject to correction. The motion was seconded by the Vice Chairperson and was unanimously passed.

b. **May 4, 2009:** Mr. Camacho made a motion to approve the minutes of May 4, 2009 subject to correction. The motion was seconded by the Vice Chairperson and was unanimously passed.

III. CHAIRMAN'S REPORT

1. **PUC Legislation** – The draft legislation on the Public Utilities Commission was forwarded to the Board and management for review and understands that this will be introduced to the Guam Legislature by the Oversight Chair on May 29, 2009. A public hearing is slated for June 18, 2009.

2. ARRA Discretionary Funds – Understands that the application process for the Discretionary Grant Funds is open. It's a critical path to ensure the Port is in compliance with all the necessary requirements and deadlines in order for the Port's application to process smoothly. He asked management to follow through with the Governor and Congresswoman to reaffirm and make contact with DOT Secretary Ray LaHood to emphasize the need to support the Port's application.

IV. GENERAL MANAGER'S REPORT

1. Port Modernization-MARAD PMT: No award made as of yet.

2. PAG Funding

a. OEA Funding – \$2M OEA Grant Application have been submitted to the Clearinghouse and OEA for processing and awaiting notification of award from Governor's office. Purpose of grant is to fund the Fact Finding Investigations (field investigation studies).

b. Stimulus Package

1. USDA Loan – No new developments. (Pre-application is under review by USDA. Expected terms for the \$50M loan is up to 40 years at 4.5% interest.)

2. DOT-Discretionary Funds – DOT ARRA discretionary grant on the Port's/MARAD's/OAE's efforts have been reduced to \$49.2M from \$150M as the requirement of the project is to be completed by 2012. Upland and projects within existing footprint will be funded through this grant. Grant application due date is September 2009. Understands that the awards will be made in December 2009.

c. EDA/DOI Funding – The Port received EDA Notification of Award on the \$2M, matching funds from the Port is \$2.3M; plus DOI at \$495,000.00; totaling \$4.795M. Funding is for preliminary site investigations.

d. DOI Funding – FY09 grant funds of \$2M has been approved by DOI for purchase of RTG's. The Port has requested the Governor's office to reprogram these funds toward our modernization efforts. The requests are still pending the Governor's signature.

3. Performance Management Contract (PMC) – Discussions have been held with legal counsel/management and it was found that the scope of services of the OAE Consultant allows them to develop the RFP for a PMC. As such, Task Order No. 7 – Consultations on PMC Solicitation is before the Board for approval. The General Manager said the management team will script through all task orders prepared by OAE consultant to ensure proper order and compliance.

The Vice Chairperson made motion to approve Task Order No. 7 – Consultations on PMC Solicitation relative to the Owner's/Agent Engineer Consultant Agreement in the amount

of no more than \$110,000.00. Motion was seconded by Mrs. Lacson and was unanimously approved.

As the matter relates to the OAE Consultant, the members agreed to entertain under new business item a. 2. Task Order No. 12.

2. Task Order No. 12 – Crane Acquisition & Refurbishment Services – The General Manager said this task order is for crane acquisition and refurbishment services. The Port is looking to utilize the OAE Consultant to identify in the market place the availability of suitable used container cranes that is appropriate to support berth operations of the Port. This research will determine the suitability of taking off-line Gantry 2 and Gantry 3.

The Chairman said in review of the funding program for crane acquisitions, particularly with the USDA Loans, he asked whether these funds can be applied to use or refurbish cranes, and not necessarily new cranes as indicated on the loan application. He mentioned that if the Port proceeds in acquiring used or refurbished cranes, this possibly could be the funding source to tap into given the opportunity to do so. The Chairman expressed that if an amendment or adjustment cannot be made for this purpose, then it may be a problematic situation because funding will be a concern. Mr. Jose B. Guevara, Financial Affairs Controller said communications were made yesterday with both USDA in Hawaii and Citizens Security Bank on the possibility of the Port applying these funds toward used or refurbished cranes and it was confirmed that this arrangement can be made. The General Manager added the only condition is for the Port to obtain certification that warrants the lifespan of the used/refurbished crane for 10 or 15 years. The Chairman asked management to obtain official confirmation to this effect from both institutions relative to the \$14M crane acquisition funding.

At this time, Board discussion took place on what would be a good strategic approach for the Port relative to cranes. Some points were raised as follows:

- acquisition of POLA Cranes
- the necessity of five cranes on rails
- PMC responsibility on equipment alternatives and supply
- immediate acquisition of a new crane; gantry 3 turnover; decommission gantry 2; PMC acquire an additional three cranes
- PMC to acquire three cranes
- acquire two used cranes; decommission gantry 2 & 3
- PMC to purchase POLA Cranes

The Vice Chairperson asked what the remaining lifespan of Gantry 3 is. The General Manager understands that to be more than 5 years. He said Gantry 2 is scheduled to be assessed in August 2009. The Chairman advised management to provide an updated certification of the lifespan for those two cranes.

Mr. Camacho understands that Board approval is being requested to allow OAE consultants to source up to two cranes and not necessarily approving purchasing of cranes. The General Manager replied that is correct.

The Vice Chairperson recalled that Lifttech did an extensive study of the piers that consist of weight capacity, structural integrity, technical study, etc. before the arrival of the POLA Cranes, and wondered whether any of these engineering work is part of OAE's cost proposal as this may be an opportunity to cut cost which is worth looking into and considering. Mr. Camacho commented that it goes back to the question on what needs to be done strategically as he felt that acquiring a new crane, then gaining possession of Gantry 3, and authorizing OAE to source two cranes is not a bad idea; but questioned whether the cost is reasonable. The Chairman said the task order indicates that such services shall not exceed said amount. The General Manager added that the management team will discuss this concern with the consultant.

Mr. Camacho asked how this task order would be funded. The Chairman said based on the port modernization program funding it is being earmarked for the DOI FY09 funds of \$2M initially dedicated for the RTG's, but a request is currently in place with the Governor's office to reprogram those funds to support this task order. He emphasized that the services of the OAE consultant is to simply source what cranes are available in the market place.

Mr. Camacho made motion to approve Task Order No. 12 – Crane Acquisition & Refurbishment Services relative to the Owner's/Agent Engineer Consultant Agreement in the amount of \$237,569.00. Motion was seconded by the Vice Chairperson and was unanimously approved.

4. Procurement – Creation of Procurement & Supply Manager position have completed the transparency process. The HR committee will elaborate on this reporting.

5. Compensation & Benefits Study – The Port's personnel rules and regulations for maritime-related positions unique to port operations and certified, technical, and professional positions have been transmitted to the Guam Legislature and filed with the Legislative Secretary on May 14, 2009. In accordance with the Administrative Adjudication Act process, the Legislature's deadline to act on the rules is August 12, 2009.

6. Labor Negotiations – The Port issued a cancellation notice on May 14, 2009 to the offerors relative to the RFP 09-002 - Labor Relation Negotiation Services. If no response is made, the Port may issue new RFP.

V. COMMUNICATIONS

1. Letter from Major General James Hodge, US Army re Strategic Port Designation: The General Manager said the Port received a letter dated May 13, 2009 from Major General James Hodge, US Army Military Surface Deployment and Distribution Command acknowledging the Port's quest of strategic port designation. Major General Hodge indicated that he recognizes the strategic importance of the Port and intends on conducting an

assessment sometime in August 2009. SDDC officials will make contact with the Port to begin the process.

2. **List–Federal Grant & Local Funding Programs:** Management was advised to include an expenditure column on the report. Additionally, to include as part of the report a port modernization financial summary relative to:

- Master Plan Projects/Status that make up \$195M, ie: earmark by categories
- Non-Master Plan Projects/Status on Capital Investment, ie: Mobil Pipelines, POLA Cranes.

*** Mr. Camacho and Mr. Guevara will work on the format.*

VI. REPORTS

a. **Insurance Reports:** No insurance reports were provided by AM Insurance. *(Note: March, April and May 2009 Insurance Reports has yet to be furnished by AM Insurance.)*

As a standard operating procedure, management was advised to ensure that any and all incidents regardless whether there is a claim or not, be reported to the insurance company so they are noticed of these occurrences. This practice is to safeguard the Port in the event a claim is actually made in the future.

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

- Domestic Vessel Recap - Horizon and Matson combined totaled 4,767 container lifts. Horizon had a total of four vessel calls averaging 20.3 gmph versus Matson with four vessel calls averaging 19.6 gmph.
- Inbound (Discharged) Containers – Horizon at 1,024 containers for April; and 1,431 for Matson same period.
- Container Count Comparison – Operations moved a combined total of 7,567 container lifts versus last year same period at a total of 8,370 container lifts.
- Import Local and Military Containers (TEU's) – Both Matson and Horizon imported a combined total of 3,413 TEU's for local and 1,086.8 TEU's for the military.
- Mobile Harbor Crane Log – The MHC was utilized against two vessels on containers as well as breakbulk operational activities.

Mr. Santos was advised to prepare the following: 1) indicate 'actual' operational hours/downtime hours on Gantry 2, Gantry 3, POLA Cranes and mobile harbor crane; 2) prepare productivity report on foreign vessel recap; 3) investment of speed-loaders; and 4) provide information on gang assignments for each vessel operation.

At this time and without objections, the members entertained item b. Travel Authorization Request under new business.

b. **Travel Authorization Request**

1. **Annual ATOSSCOM Membership Meeting – July 7-10, 2009 –**

Palau: The General Manager said the Port is a member of and serves as the Board Secretary to the Association of Transportation Operators Stevedores Shipping Companies of Micronesia (ATOSSCOM). The Secretary assists the association by providing logistical support, site training and administrative support. As such, a request is before the Board to allow the Operations Manager and a staff member to attend this meeting.

Mrs. Lacson made motion to approve the travel authorization request in the amount of \$3,698.72 for the Operations Manager and a staff member to attend the Annual ATOSSCOM Membership Meeting in July 7-10, 2009 held in Palau, seconded by the Vice Chairperson. Motion was unanimously approved.

Committee Reports:

a. **Finance Committee:** The financial report for the month of April 2009 was provided to the Board for information. Management provided clarification on the following items: employee count classification; Gantry 3 maintenance general expense and power consumption. The Chairman followed up on the energy savings program and placed emphasis on the Port reducing energy cost, ie: waste oil disposal.

b. **Maintenance/Equipment Committee:** The General Manager said Gantry 2 is currently out of service due to structural repairs. Gantry 2 will be online in another week or so as maintenance staff is performing these repairs during normal working hours, rather than on overtime hours. Also, the mobile harbor crane is not in operation pending arrival of repair parts.

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

1. **Recruitment for the Deputy General Manager position** – An executive search was done for the Deputy General Manager position; deadline being May 26, 2009. Notices and announcements were made for this position and there were seven applicants who expressed interest. The committee was asked to evaluate the applications and present recommendations to the Board next week.

2. **Proposed Personnel Rules and Regulations-Maritime Positions Unique to the Port Operations and Certified, Technical and Professional Positions** – The rules and regulations have been transmitted to the Legislative Secretary on May 14, 2009 pursuant to the Administrative Adjudication Act process. The Guam Legislature has 90 days to take action on the rules and regulations; deadline being August 12, 2009.

3. **Position Classification, Compensation & Benefits Study Update** – Management met with Mr. Alan Searle, consultant on May 27, 2009 on the performance

management evaluation forms and implementation date. Mr. Searle will conduct a presentation before the Board at its next meeting in July 2009 on the Master Implementation Spreadsheet; however, this is contingent upon the Legislature's approval of the proposed rules and regulations.

4. Creation-Procurement Management position – In accordance with Section 6303 of Title 4, GCA, the transparency process for the creation of the Procurement & Supply Manager position have been completed and no comments were received. It is now being presented before the Board for approval.

The Chairman asked what the pay range for this position is and whether it is comparable to other government agencies. Mrs. Francine T. Rocio, Personnel Services Administrator said Pay Grade P ranges from \$36,850.00 to \$55,274.00. The General Manager said the compensation benefits package for the Procurement & Supply Manager position is higher than that of the Supply Management Administrator position, so there is an incentive.

Mrs. Lacson made motion to approve and adopt Board Resolution No. 09-04 relative to approving the creation of Procurement & Supply Manager position in the classified service at a Pay Grade P, seconded by the Vice Chairperson. Motion was unanimously approved.

d. **Property Leasing/Port Development Committee:** Mr. Glenn B. Nelson, Commercial Manager presented the Board with an update on property-related items.

1. Increase Lease Rates – Upon the enactment of Public Law 30-19 relative to increase in lease rates, the fact sheets and amended lease agreement were transmitted to the tenants. Effective date of such rates was May 1, 2009. Legal Counsel is preparing the telecommunication lease agreement.

2. Mobil Easement Agreement & Third Amendment to Management Agreement – Mobil advised the Port of their intention to continue with the easement agreement. In the meantime, Legal Counsel was tasked to retrieve the original agreements from their counsel.

3. Tank 7 – PowerSource Energy has notified the Port of their desire not to pursue the lease. The Port has authorized Unitek to begin discussions with Mobil on access to Tank 7, type of products slated for storage, and submission of documents required.

4. F3 Lease – Legal Counsel was provided documents which SPPC submitted to the Port in 2001 of their interest to use the bunkering pits, fuel supply lines and fuel storage tanks at the F3 pier. Inquiry being made to counsel on whether the Port can enter into a lease agreement with Shell or is required to issue an RFP if a third party has expressed interest.

5. Agat Restaurant & Dock Shop Concessionaire Proposals: – Two proposals were received and review is currently held in abeyance until it is determined whether the Port needs to issue an RFP for the concessionaire of the facilities.

6. Thru-put Rates for Fuel and Other Products Imported/Exported through Pipelines – Legal Counsel was asked to review Public Law 30-19 to determine if the Port could use this law or the Administrative Adjudication Act to effectuate the thru-put rates.

7. SPPC Lease – Staff is preparing correspondence advising SPPC that of Port's desire to enter into discussion regarding their renewal option for their lease agreement.

8. Survey of Properties – Held in abeyance until it is determined what procurement process the Port is to use to begin to solicit qualified and registered surveyors to conduct retracement of Port properties.

9. Route 11-A – A request has been submitted to Department of Public Works in determining if Route 11-A could be turned over to the Port and used as part of the container yard expansion. A review of the deed by U.S. Navy is being conducted by Department of Land Management.

10. Aging Receivable Accounts – Correspondence has been issued to those tenants in an attempt to resolve their outstanding account issues.

11. Aqua World Corporation – A meeting was held with Aqua World representative on their request to return properties to the Port. Aqua World will provide the following: a) proposed language on the return of property to the Port; b) proposed rent structure based on the reduction of their leased property; c) list of tenants and status; and d) map showing the property which Aqua World would like to keep and the property slated to return to the Port. A follow up meeting is scheduled June 26, 2009.

d. Procurement Advisory Committee – None.

VII. OLD BUSINESS

a. Board Resolution No. 09-04 – Creation of Procurement & Supply Manager:
(Item addressed under HR committee.)

b. List of Unclaimed/Damaged Cargo: As directed at the previous Board meeting, management presented the list of unclaimed/damaged cargo and requested Board approval on its disposal. Mrs. Lacson made motion to authorize management to donate the unclaimed cargos, as presented, to PAGGMA Association to auction off and proceeds be given to PAGGMA, seconded by the Vice Chairperson. Motion was unanimously approved.

c. Flat Rate for Longliners Vessels & Special Rates under Policy Memorandum: The General Manager said this matter is basically for Board information. He mentioned that the Board recently approved revised Policy Memorandum No. 2002-08 increasing the longliner fees; however, the port terminal tariff dictates that 'special services and rates' shall apply for one year, afterwards if the rate is determined to be part of the port terminal

tariff, the process would be through the Administrative Adjudication Act. The longliners will continue to be charged terminal tariff rates accordingly.

Mr. Camacho asked whether management conducted its research on this matter prior to presenting it before the Board for action. The General Manager replied negatively, and said research was made after the fact and apologized to the Board for this oversight. As a result of this, the Chairman said the recent action of the Board on the revised Policy Memorandum No. 2002-08 is hereby rescinded. There were no objections.

- d. **Deputy General Manager position:** (Item addressed under HR committee.)

VIII. NEW BUSINESS

- a. **Owner's Agent/Engineer Consultant**

1. **Task Order No. 7 – Consultations on PMC Solicitation**
2. **Task Order No. 12 – Crane Acquisition & Refurbishment Services**

(Items 1 and 2 were addressed under General Manager's report.)

- b. **Travel Authorization Request**

1. **Annual ATOSSCOM Membership Meeting – July 7-10, 2009 – Palau**

(Item addressed under Operation Productivity Reports.)

IX. PUBLIC COMMENT

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

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

c. **Employee Comment:** Mrs. Josette Javelosa, Marketing division said the Board has been approving funding to support the task orders relative to the Owner's Agent/Engineer Consultant. She expressed concern that the Port is nearing its implementation of the compensation study and if all those funds are going toward the OAE consulting services, would that compromise the Port's ability to fund and implement the compensation study. Mr. Camacho said the funding sources are not related, as the OAE consulting services are funded through federal grants. He said what will compromise the implementation of the compensation study is the Port's financials through the operations of the Port. The Port financials need to be in order through increasing revenues and decreasing expenses, so management needs to better improve upon managing the profit and loss revenues. Mr. Camacho assured that this Board is in support of the compensation initiative which will be funded through Port operational revenues, and not by way of capital improvements. This distinction need to be conveyed and made clear to the port employees.

Mrs. Javelosa said the Board had just approved the task order for the OAE consultants to develop the RFP for the PMC. She asked whether the consultant will start from the beginning or

will they use the existing work product prepared by the PMC committee. She suggested the latter as this will help to reduce cost in service. The Vice Chairperson said all the resources the PMC committee generated thus far should be made available for OAE consultant's access, use and reference.

Relative to Gantry 3, Mr. Herman T. Paulino, Planning division informed the Board that in the Subic Crane Relocation Agreement there may be a provision stipulated that in order for Gantry 3 to be turned over to the Port, the Port would need to not only acquire a new gantry crane, but a certain 'type' as well.

RECESSED: The members agreed to recess prior to moving into executive session. Meeting recessed at 6:55 p.m.

RECONVENED: The meeting reconvened at 7:00 p.m.

X. EXECUTIVE SESSION

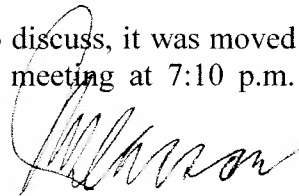
At this time, the members went into executive session at 7:00 p.m.

Executive session ended at 7:10 p.m. The Board members resumed back into regular session. Items discussed in executive session were as follows:

- o Guam YTK
- o Deep Marine Technologies, Inc. – Civil Case No. CV09-01283
- o Mariana Express Lines and M/V Ratstor - Civil Case No. CV0817-08
- o GFT Negotiations

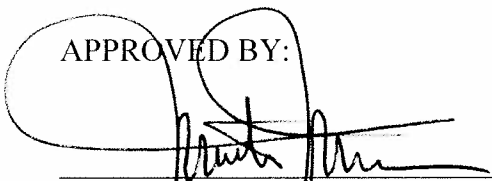
XI. ADJOURNMENT

There being no further business to discuss, it was moved by Mr. Camacho and seconded by the Vice Chairperson to adjourn the meeting at 7:10 p.m. The motion was unanimously passed.



MARILOU LACSON, Board Secretary, Board of Directors

APPROVED BY:



MONTE MESA, Chairman, Board of Directors

