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MINUTES OF THE
REGULAR MEETING OF THE BOARD OF DIRECTORS
Thursday, September 24, 2009

I. CALL TO ORDER

There being a quorum, the regular meeting of the Board of Directors was called to order at 5:10 p.m., Thursday, September 24, 2009. Present at the meeting were:

Monte Mesa, Chairman
Jovyna Lujan, Vice Chairperson
Marilou Lacson, Board Secretary
Enrique J.S. Agustin, Acting General Manager
Atty. Rebecca Santo Tomas, Co-Counsel

Absent were members Joseph Camacho, William Beery and General Manager Glenn Leon Guerrero. Also present were Lea Santos-Senator James Espaldon's office; Nicole Santos-Senator Tom Ada's office; AM Insurance-Trisha Granillo/AnnMarie Muna/Alan Rixon and Port Management staff.

II. APPROVAL OF MINUTES

a. **August 27, 2009:** Before the approval of minutes, the Chairman made the following corrections:

- Page 2, item a, Reports: should include '*versus*' between OCIP and Wrap-Up to clarify that two programs were presented.
- Page 3, top second paragraph is amended to read: '*Both companies presented a brief overview of the OCIP with some details and examples of how it works. And Calvo representative also presented Wrap-Up insurance program and differences with each of the program.*'
- Page 3, item a, Old Business - insert: '*... designated by port management committees and recommended notice to proceed...*'
- Page 3, item a, Old Business - include each approved task order amounts. Inclusions made as follows:
 - TO 2A – Participation in Industry Forum: \$34,000.00
 - TO 8 – Master Plan Approval Documents: \$114,017.00
 - TO 8-1 – Master Plan Approval Documents: \$35,251.00
 - TO 23 – Topographic Survey: \$393,234.00
 - TO 25 – Trip & Services for PAG July 2009 Meetings in DC: \$33,269.00
 - TO 27 – NEPA Categorical Exclusion Documentation: \$446,054.00

- Page 6, second paragraph is amended to read: '*...relative to remove the reversionary clause condition...*'
- Page 7, first paragraph, change '*Agat marina*' to reflect '*Hagatna marina*'.
- Page 13, first paragraph, made note for clarification purposes that the total number of employees is 341 and the total cost for the compensation and benefits adjustment at the 10th market percentile is \$2.4M which encompasses 341 port employees.
- Page 14, end of second paragraph – insert: '*...and be able to explain to all the employees under their respective department or divisions.*'

Without further corrections made, the Vice Chairperson made a motion to approve the minutes of August 27, 2009 subject to correction. The motion was seconded by Mrs. Lacson and was unanimously passed.

Note for the record: The Chairman noted that members Camacho and Beery are currently off-island and are unable to participate in this board meeting via teleconference.

Addendum to Agenda: Without objections, the members agreed to add items on the agenda which includes: 'Fiscal Year 2010 Insurance Renewal' under old business and 'Building Facility Committee' under committee reports.

III. CHAIRMAN'S REPORT

1. Master Plan Update 2007 Report – Congratulations to port management and staff for the unconditional approval of the port master plan enacted into law on September 11, 2009 as Public Law 30-57. This only emphasizes the port strong family spirit the Port has always exerted and this reinforces management and staffs' ability and commitment for this Port.
2. FEMA Fund Approval – ~~Understands the approval of an additional federal funds~~ with the Homeland Security at almost \$1M was received. He congratulated the grant writing team in the Planning division for their efforts.
3. Strategic Port Designation – On September 14, 2009, the Military Surface Development and Distribution Command (SDDC) designated the Port of Guam as the United States' 16th commercial Strategic Seaport. Congratulations to all who took part in this milestone.
4. USAF Commander General Duncan McNabb Visit – Appreciated the efforts of management and staff in conducting the master plan presentation to General McNabb on September 4, 2009 which evidently solidified the strategic port designation of the Port Authority.
5. General Matters – Ensure board minutes are made available to all senators; acquisition of gantry cranes by December 2012 as mandated by Public Law 30-57; look into the radioactive testing in the environmental studies; implementation of the compensation and benefits adjustment; accomplish the PMC-RFP issued, reviewed and awarded.

6. Performance Evaluation – Advised the members of the annual anniversary on the performance evaluation of the General Manager. The Deputy General Manager’s performance evaluation for the sixth month period is December 2009. Asked for division heads’ input, if any.

7. Port of Townsville, Australia – Officials are slated to arrive island on October 14, 2009. Port of Townsville has similar challenges as the Port and expressed interest in learning and knowing more on the ports modernization and development efforts.

8. Labor Day Picnic – Congratulated PAGGMA Association for a well executed Labor Day celebration.

IV. GENERAL MANAGER’S REPORT

1. FEMA Fund Approval – Expressed gratitude of thanks to all involved in securing the Port Security Grant at \$910K. This is a critical piece of grant that will assist in the Port’s strategic designation because moving forward it is important to ensure the security of the port is paramount in our efforts.

2. Procurement & Supply Manager – Introduced Mr. Bernard Lastimoza as the Port Procurement & Supply Manager. All those present welcomed him aboard.

3. Loss of Port Employee – Announced the loss of a port family member, namely Mr. Alfredo Manguba who was an equipment operator for the Transportation division. PAGGMA Association will be serving the rosary tomorrow evening at the family residence. Funeral is Saturday, September 26, 2009.

4. Port Modernization – Understands MARAD has yet to select a Program Management Team.

5. OAE/PBI – Currently conducting environmental and preliminary engineering and planning studies.

6. Terminal Development Work – OAE is slated to kick off the Terminal Development Work on the week of September 28, 2009.

7. PAG Funding – USDA Guaranteed/Direct Loan and TIGER Grant application have all been submitted.

8. Labor Negotiator – RFP for Labor Negotiator is currently with the General Manager for review.

9. Draft Emergency Response Plan – The Port Authority All Hazards Emergency Response Plan is provided for Board’s information.

The Chairman advised management to prepare strategy and timeline on obtaining Port Procurement Delegation back from General Services Agency.

V. COMMUNICATIONS

The Chairman acknowledged receipt of the following correspondence:

- Letter dated September 14, 2009 from Senator Thomas Ada regarding Task Order No. 12.
- Letter dated September 15, 2009 from Senator Thomas Ada regarding Request for the possible inclusion of radioactive materials testing into Task Order No. 18.
- Notification of public hearing on September 25, 2009 for Bill No. 218-30 – *An act to transfer properties under the jurisdiction of the Port Authority of Guam to the jurisdiction of the Guam Ancestral Lands Commission, by adding a new §80105(a) to Title 21, Guam Code Annotated.*

1. **List–Federal Grant & Local Funding Programs:** For Board’s information.

The Chairman reiterated from previous meetings that follow ups need to be made with Department of Agriculture as they provide for a funding source for the marinas with a Port cost share of 17.5%. He understood the Hagatna marina C-dock was compromised and advised management to secure this matter as soon as possible.

VI. REPORTS

- a. **Insurance Reports:** No insurance reports provided.

At this time, the members agreed to entertain item b. FY2010 Insurance Renewal, under new business.

VIII. NEW BUSINESS

- b. **FY2010 Insurance Renewal:** Ms. AnnMarie Muna, AM Insurance introduced the presence of Mr. Alan Rixon from Ropner Insurance who is the Lloyds Broker that AM Insurance uses to access the Lloyds of London markets for the Port Authority’s property insurance and marine liability. Ms. Muna presented FY2010 renewal premiums and summary of declared values showing the following:

Summary of Declared Values

<u>No.</u>	<u>Particular</u>	<u>FY2009</u>	<u>FY2010</u>	<u>DIFF</u>	<u>Status</u>
1.	Property	\$122,336,360	\$122,211,665	\$ (124,695)	Decrease
2.	Equipment	\$ 17,223,844	\$ 18,726,178	\$1,502,334	Increase
3.	Operating Revenue	\$ 22,359,000	\$ 24,766,183	\$2,407,183	Increase
4.	Rental Income	\$ 5,551,000	\$ 5,222,637	\$ (328,363)	Decrease
5.	Miscellaneous	\$ 1,090,000	\$ 1,011,180	\$ (78,820)	Decrease
	TOTAL	\$168,560,204	\$171,937,843	\$3,377,639	

She said the package insurance has the property section covered at \$25M and liability section at \$50M. Property values for FY2009 were \$168,560,204 and \$171,937,843 for FY2010. This is due to premiums are based on the values against a certain rate, resulting in an increase in values at \$3,377,639.

She said on the property insurance coverage there has been no increases in premiums despite the increase of \$3.3M in values; however, the Port Liability has increased from \$390K to \$400K due primarily to an increase in marine liability claims. On a positive note, she mentioned that the deductible for the property coverage has decreased to \$2,350,000 for earthquake, flood and windstorms from a \$2.5M current deductible. The following includes the different premium package:

FY2010 Renewal Premiums

<u>Category</u>	<u>FY2009</u>	<u>FY2010</u>	<u>DIFF</u>	<u>Coverage</u>
Property & Liability	\$2,210,000.00	\$2,220,000.00	\$10,000.00	\$25M-prop./\$50M-liab.
Directors & Officers Liability	\$ 38,615.00	\$ 38,615.00	status quo	\$5M
Automobile Insurance	\$ 24,396.00	\$ 26,399.04	\$ 2,003.04	\$2M (incr. 3 auto; now 25)
Crime Insurance	\$ 19,635.00	\$ 21,615.00	\$ 1,980.00	\$\$250K
Premium Total:	\$2,292,646.00	\$2,306,629.04	\$13,983.04	
Financing Plan-3%:	\$ 68,779.38	\$ 69,198.87	\$ 419.49	
Total Payment Due:	\$2,361,425.38	\$2,375,827.91	\$14,402.53	<i>(increase in premium)</i>

The Chairman said there will be an increase in activity and the Port will be generating a lot of revenue which will be paid through the port cashier section. As part of the insurance liability, he asked management to look into an armored car service to ensure protection of ports assets as well as the port employees. The Vice Chairperson added that AM Insurance should also look into other areas to help improve upon minimizing port liabilities/incidents, such as trainings, interaction with port staff, as this will assist greatly with the port modernization moving forward. Ms. Muna said the insurance company can look into surveyors to assess areas of the port and provide recommendation and training. This arrangement can either be performed at no cost to the Port or on a shared cost between the Port and Underwriters, depending upon the extent of the assessment.

Mrs. Lacson made motion to approve the Fiscal Year 2010 Insurance Renewal at the premium amount of \$2,375,827.91, seconded by the Vice Chairperson. Motion was unanimously approved.

At this time, the members proceeded with items under Reports.

VI. REPORTS (cont.) & Committee Reports

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

- **Domestic Vessel Recap** - Horizon and Matson combined totaled 5,038 container lifts. Horizon had a total of five vessel calls averaging 16.9 gmph versus Matson with four vessel calls averaging 17.2 gmph.

- Inbound (Discharged) Containers – Horizon at 1,223 containers for August; and 1,422 for Matson same period.
- Container Count Comparison – Operations moved a combined total of 8,421 container lifts versus last year same period at a total of 7,910 container lifts.
- Import Local and Military Containers (TEU's) – Both Matson and Horizon imported a combined total of 3,461.9 TEU's for local and 1,216.2 TEU's for the military.
- Mobile Harbor Crane Log – Utilized against Pacific Condor and discharged containers at 3.1 hours; 17.8 hours on breakbulk; totaling 21 hours in operation.

The Chairman asked to track the use of Gantry 2 and Gantry 3 against Matson/Horizon vessels to ensure the Carriers' crane surcharge rate imposed upon their customers' cargo is not applied. This crane surcharge at \$125.00 is assessed only to inbound freight cargo utilizing the POLA Cranes. He also advised for management to look into assessing a Facility Maintenance Fee separate from the tariff charges which is to compliment the equipment maintenance of new equipments. This is not an unusual fee as it is practiced in other ports.

Use of POLA Cranes

The Chairman commented in the event the Port's cargo handling equipment is inoperable and would necessitate the use of the POLA Cranes, he expressed it is unequivocally crystal clear that based on the discussions that transpired during the December 13-14, 2007 Board meeting entering into the License Agreement, the Port Authority is in control. The Port General Manager controls the operations and dictates when, where and how those equipments are to be used. There is no question in that regard. The Chairman said it is the discretion of management to execute the safe and efficient unloading of all cargos which is their right to do so.

b. **Maintenance/Equipment Committee:** Mr. Ernie Candoleta, Maintenance Manager provided the August 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 staff will be replacing the break motor on Gantry 2 and is currently working with Smithbridge to use their crane to assist in the reach for replacement as the mobile harbor crane is down at this time due to the angle sensor in that once triggered, the mobile harbor crane becomes paralyzed. Parts are on order and should arrive in two weeks.

The inspection of the cargo handling equipments have been completed and passed with the exception of Gantry 2 as it is currently not operational. As to the study on the refurbishment of Gantry 2 and Gantry 3, he mentioned that the report will be provided by PACECO and understands this will be completed in two weeks. The Chairman asked to include on the report the total cost on each equipment item and track on a year-to-date basis.

c. **Marina Report:** Mr. Candoleta said the top 10 priorities on maintenance of the Hagatna and Agat marina is currently being worked on with respect to assessing the cost associated with the maintenance work. His staff will be working with Commercial and Engineering divisions. With respect to C-dock in Hagatna marina, staff had installed temporary

brackets to hold slips in place until such time pre-fabrication of the original brackets are done. Estimated completion time is two weeks.

The Chairman asked the status of an abandoned boat at Hagatna marina. Mrs. Vivian C. Leon, Corporate Services Manager said notification have been made to the boat owner of Ocean Star and provided a removal deadline. She indicated that dry dock rental continues to be made until the boat is removed completely. The Chairman advised to move aggressively on the removal of the boat as it poses a hazard.

d. **Safety Report:** Mr. Frank Roberto, Safety Administrator presented the Personal Injuries/Industrial Accidents report as of September 24, 2009. Currently there are 5 recordable injuries which mean that employees injured on the job received medical treatment at Guam Memorial Hospital. The Port has worked 258 days with one lost-time injury. The lost-time injury involves Gantry 2 incident where the crane operator whipped lashed and injured his back. The Chairman asked that the report be formatted by fiscal year and track on a year-to-date basis.

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

1. Personnel Rules and Regulation – Maritime Positions Unique to the Port Operations and Certified, Technical and Professional Positions-Public Law 30-43 - A public hearing was conducted on September 4, 2009 on Bill No. 223-30 – “An Act to include the position classification, compensation & benefits study into the personnel rules and regulations for maritime related position unique to port operations and certified, technical and professional employees and to repeal and reenact §10111.3(e), Chapter 10 of Title 12, Guam Code Annotated” relative to including the following appendices:

- Appendix A-Listing of Maritime positions unique to port operations and certified, technical and professional positions.
- Appendix B-Pay Schedule
- Appendix C-Position classification, compensation & benefits study: Stage 1, Stage 2, Stage 3, Report to Board and Final Compensation and Benefits Result.

Will advise on when the next hearing will take place.

2. Orientation Briefings-Position Classification, Compensation and Benefits Study Update – A total of four orientation briefings were conducted on September 22-23, 2009. The Human Resources staff will also be conducting individual division briefings if necessary.

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

At this time, as the following items relates, the members agreed to address both items concurrently.

- **Old Business - Public Law 30-43: Financial Plan-Compensation & Benefits Adjustments**
- **New Business – FY 2010 Budget Approval**

Mr. Jose B. Guevara, Financial Affairs Controller presented the FY 2010 proposed budget as well as the budget assumptions. He said the changes from 2009 budget to 2010 budget include the following:

Revenues

<u>No.</u>	<u>Description</u>	<u>Amount</u>
1.	Container Cargo thru-put increase by 4%	\$600K
2.	Tariff Increase 3.4% Container Charges	\$400K
3.	Wharfage	\$500K
4.	Breakbulk cargo will increase by more than 80%	\$740K
5.	Transshipment	\$200K
6.	Lease increases	\$444K
7.	Thruput charge for fuel increases	\$630K
8.	Thruput charge for cement	\$130K
	Total Revenues:	\$3,644,000

Expenses

1.	CTP implementation	(\$2.4M)
2.	PUC Related expenses	(\$250K)
3.	PMC management expense	(\$300K)
4.	Retiree COLA Expense	(\$356K)
5.	Gantry 2 & Other Cargo Handling Equipments/ Operational Supplies	\$550K
6.	GEDA Land Lease Share	\$331K
7.	Gantry 3 Repairs and Maintenance Cost	\$300K
8.	Casual Labor	(\$108K)
9.	Selected Vacancies	(\$201K)
10.	Overtime Reduction	\$150K
	Total Expenses:	\$2,284,000
	Net Effect:	\$1,360,000

Mr. Guevara explained that expenses includes savings amount from FY09 applied to FY10, such as: cargo handling equipment/operational supplies-\$550K, GEDA land lease share-\$331K, Gantry 3 repairs/maintenance cost-300K and overtime reduction-\$150K; totaling a savings of \$1,331,000. These savings as well as the revenues supports the implementation of the compensation and benefits adjustment as per Public Law 30-43. Mr. Guevara said the container cargo thru-put increase at 4% is a very conservative number as the master plan indicates an increase of 16% in container cargo thru-put.

The Chairman noticed the proposed budget shows that the federal reimbursements have not been completely achieved for FY09 and understands that posting cannot be made until actual drawdown is completed. As shown, FY2010 budget is showing federal reimbursement at \$6M.

Mr. Guevara said the YTD net income for FY09 ends with a positive balance of \$3.9M. With the inclusion of non-cash expenses, the Port recorded a net income of \$774K as of August 2009.

The monthly worksheet was provided to the Board for their information. The Chairman noticed that the worksheet on the total expense is inconsistent with the budget summary. Mr. Guevara apologized and mentioned that it was just a slight oversight on the worksheet and will be corrected accordingly.

The Chairman shared that there will be some adjustments made to the organizational chart which will be further discussed upon the return of the General Manager who is currently off-island. Also, the employee count should be reformatted in order to easily identify actual employees.

Mrs. Lacson made motion to approve the Fiscal Year 2010 Proposed Budget with the following conditions: organizational chart adjustment; monthly worksheet consistency against budget summary and employee count format, seconded by the Vice Chairperson. Motion was unanimously approved.

The Vice Chairperson made motion to approve the financial plan in accordance with Public Law 30-43 for the compensation and benefits adjustment at the 10th market percentile, seconded by Mrs. Lacson. Motion was unanimously approved. Mrs. Leon said pursuant to the public law, the effective date to implement the compensation and benefits adjustment is forty-five days upon filing with the Legislative Secretary which was filed on August 28, 2009; having the implementation date take effect on October 13, 2009. The Chairman advised management to comply with the mandates of Public Law 30-43.

VII. OLD BUSINESS (cont.)

c. **Task Order 12 – Crane Acquisition & Refurbishment Services:** The Chairman said this matter has been addressed both with Public Law 30-57 as well as the letter received by Senator Ada. Mrs. Lacson made motion to approve to reprogram Owner's Agent/Engineer Task Order 12 to be in compliance with Public Law 30-57 relative to the acquisition of a gantry crane, seconded by the Vice Chairperson. Motion was unanimously approved.

b. **RFP 09-003 – Risk Management:** Mrs. Leon said the evaluation committee entered into cost negotiations with the highest ranked offeror. Request is now being made to authorize management to enter into contract negotiations with the offeror. The Vice Chairperson made motion to authorize management to begin contract negotiations for RFP No. 09-003 Risk Management Services. Motion seconded by Mrs. Lacson and was unanimously approved.

Renovation of Public Restroom

Without objections and on another matter, the Chairman asked that management commence the renovation/restoration of the public restroom next to the Board Conference Room.

Items under Committee Reports (Property Leasing/Port Development Committee, Procurement Advisory Committee and Building Facility Committee): Tabled, until the next meeting.

IX. PUBLIC COMMENT

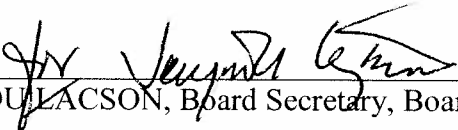
- a. **Port Users Group Comment:** None.
- b. **General Public Comment:** None.
- c. **Employee Comment:** None.

X. EXECUTIVE SESSION

No executive session discussed.

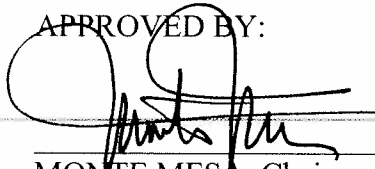
XI. ADJOURNMENT

There being no further business to discuss, it was moved by the Vice Chairperson and seconded by Mrs. Lacson to adjourn the meeting at 7:55 p.m. The motion was unanimously passed.



MARILOU LACSON, Board Secretary, Board of Directors

APPROVED BY:



MONTE MESA, Chairman, Board of Directors

With correction noted

