



**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 28, 2010**

**I. CALL TO ORDER**

There being a quorum, the regular meeting of the Board of Directors was called to order at 3:00 p.m., Thursday, January 28, 2010. Present at the meeting were:

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

Also present were Lea Santos-Senator James Espaldon's office; Jimmy Camacho-Senator Tom Ada's office; Fernando Santos-Seabridge, Ansito Walter-UOG/CME, Phil Mafnas-Sherman Consulting, AnnMarie Muna-AM Insurance, Len Isotoff-Matson, Hugh Healey and Port Management staff.

**II. APPROVAL OF MINUTES**

- a. **November 19, 2009**: Mr. Camacho made a motion to approve the minutes of November 19, 2009 subject to correction. The motion was seconded by Mr. Beery and was unanimously passed.
- b. **December 17, 2009**: Mr. Beery made a motion to approve the minutes of December 17, 2009 subject to correction. The motion was seconded by Mrs. Lacson and was unanimously passed.

**III. CHAIRMANS REPORT**

- 1. **APP 2010 Mid-Year Conference** - Learned of new technologies that would enhance the Port. Once engaged with the PMT to look at the new construction technology in reinforcing the piers to include the marinas which are fiber glass products that are introduced into new port construction. This fiber glass would outlast metal structures because of its

resistance to rust, especially with the elements here in Guam's environment. Other new technologies include communications which is part of the port master plan development for gate systems. Also, other topics addressed was the importance of the shipping route system in the region on how to inter-connect with global shipping destination in terms of the importance of the Jones Act provision to having US flag ships that would service port and the region and how it is vital to communities livability.

2. Maritime Administration Meeting in Hawaii – Most notable result of the MARAD meeting with small ports – Alaska, San Diego, Hawaii, Guam, is that there are three commonalities between the four ports which is its strategic port designation that is going to be a pivotal part in the continual quest for federal funds. Secondly, it is our dependency and quality of life routes in being away from the continental US and how our areas are dependent on shipping lines. Finally, the Port's MOU agreement with MARAD, specifically the Port of Guam Improvement Enterprise Program provides for a 3% administrative cost that is tagged on any federal funds that goes through the port modernization fund account. After having discussed this matter with the Governor, it would need his influence along with Congresswoman's office that this particular administrative requirement be revisited and hopefully be able to amend the MOU because it is a deterrent to some federal agencies as their preference is to allocate the Port 100% of those federal funds.

3. PUC Commission – Encouraged with the PUC consultants about the Port's application on interim rate increases in that their overall response is that it's been seen as justified and fair. There is an opportunity to better communicate with the Port's customers both with port users and marina users, but overall everybody in this industry seems to support this. Three public hearings were held at PUC Office, Asan Community Center, Dededo Community Center and was encouraged by the responses. The PUC Board will hold its meeting on January 29, 2010 to makes its final determination on the Port's application.

4. PB Consultants – Port PB Consultants were on island week of January 20, 2010 to refine the Implementation Plan – Phase 1A and furthering the discussions on the PMC-RFP review. Discussions also touched base on the cruise line development.

5. Bill No. 300-30 – Thanked the office of Senator Ada on their continued support on the passage of the bill relative to the PMC extension.

6. Port Planning Orders – Recently received from the US DOT Maritime Administration the Port Planning Order No. Guam 1 notice for planning purposes only regarding the Port's strategic port if and when a situation arises.

7. Economic Development Administration – Visited by EDA official, Ms. Gail Fujita and is encouraged by the continual support from EDA and Port's efforts in looking to apply for additional grants.

8. Knowledge Well Conference – Understands a conference held latter part of January 2010 and received good feedback from Mr. Aron Smith about Board and management

being engaged in this conference. Encouraged by the interaction and response from the management team.

#### IV. GENERAL MANAGERS REPORT

1. PAG Strategic Port Requirements – As earlier mentioned by the Chairman, members of SDDC, US Coast Guard and PAG Staff met to evaluate the Port's ability to meet the Port Planning Order as required status of all Strategic Ports. The draft review will be ready on January 29, 2010 during the exit interview.

2. Public Hearing on JGPO-DEIS – Port management is scheduled for a public hearing this evening at the Legislature relative to the impacts of JGPO-DEIS. The Deputy General Manager will be present and assisted by Planning staff, Operations Manager and PB consultant Mr. Jeff Peck.

3. MARAD PMT – MARAD recommendation for Port PMT is under review by the Office of Management & Budget.

At this time and without objections, the Chairman acknowledged the presence of the Association of Government Accountants representatives to recognize the achievement of Mr. Jose B. Guevara, Financial Affairs Controller on the Certified Government Financial Management. Everyone present congratulated Mr. Guevara.

##### Agat Marina and Hagatna Marina

Mr. Camacho mentioned that based on the PUC consultant report on both marinas, the proposed marina rate increases are being challenged due to the maintenance and improvement services are not being provided, he advised that this matter be looked into. The Chairman advised Commercial division to identify what is needed at both marinas for improvements.

##### Route 11 Shore Protection Project - Seawall

The Chairman asked the status of the Route 11 Seawall Project. Mr. Simeon Delos Santos, Engineer Manager said DPW had awarded the seawall project to CoreTech. He understands that CoreTech has requested for two acres as a staging area. He suggested that since this project has been long overdue and will greatly assist the Port that perhaps charges not be imposed. The Chairman asked that the scope of work be reviewed to determine whether a staging area is included; and reminded management that it's been a priority to look into all revenue sources in order to meet the Port's financial needs. Mr. Camacho agreed and said should CoreTech need a staging area, then there is no reason why the Port should not pursue this revenue opportunity.

##### Mobil Pipeline Replacement Project

The Chairman asked the status of the Mobil pipeline replacement project. Mr. Glenn B. Nelson, Commercial Manager said the Mobil Engineer is now back on island and understands that Mobil officials will hold an internal meeting on February 2, 2010 to discuss construction process forward. The Port is still waiting for the final design plans.

## V. REPORTS

### Committee Reports:

a. **Finance Committee:** Mr. Camacho said the Finance committee met yesterday and had addressed the following:

1. PAG FY 2009 Audit – The Public Auditor has presented an existing issue with the government of Guam relative to the recognition of the unfunded liability in that the Department of Administration has indicated the defined benefit plan is being re-designated from a single employer plan to a cost-sharing multiple employer plan; however according to the Retirement Fund it should be identified as single employer plan. The committee then recommended to extend the release of the audit until such time parties involved resolve this issue. The Port's audit has been completed; however, pending the audit report which the auditor is to provide by January 31, 2010.

2. Application for Assignment of Easement from Shell Guam Inc. to Island Petroleum and Energy IP&E – IP&E is applying for the assignment of Shell lease agreement of F3; proposed new GEDA easement and the rights to operate the bunkering. It is being recommended that IP&E be required to post a bond equal to 100% of the full year projected revenue and after a certain period of acceptable performance under their agreement, this requirement would be waived. The committee addressed a three year period for the performance bond.

Mr. Camacho made motion to approve for IPE to post bond equal to 100% relative to the Application for Assignment of Easement from Shell Guam to Island Petroleum & Energy (IP&E), seconded by the Vice Chairperson. Motion was unanimously approved.

3. Compensation Study Consultant Extended Service – Alan Searle & Associates, Port consultant is offering a 12 month maintenance contract to support the HR division in the transaction of its new compensation and classification plan. It was stated this would be in the interest of the Port to continue the services while the Port is in the process of implementing the performance management system and creating new job series until the HR division can independently perform such services. The maintenance service would cost \$27,600.00. The committee addressed concerns about how this service was to be funded since it is a non-budgeted item. Mrs. Francine T. Rocio, Personnel Services Administrator said the plan is to utilize \$12K within the existing approved budget and would request for the difference next fiscal year.

Mr. Camacho made motion to approve the contract extension for maintenance of the classification & compensation plan from Alan Searle & Associates where the financial plan to cover such service will be split between 2010 and 2011 fiscal year budgets, seconded by Mr. Beery. Motion was unanimously approved.

4. Request Funding 1000 Watts Metal Halide Fixtures – There is a request for funding in the amount of \$27K for a 1000 watts halide fixtures to replace existing fixtures

that are badly corroded in the container yard on top of the warehouses. The committee felt there should be a determination of whether those lights are energy sufficient and whether it is already included in the port modernization plan. The concern was to later learn that those fixtures would need to be torn down because of the modernization plan which would not be cost productive. Management was advised to look into this matter to avoid project duplication.

5. Contingency Plan – Financial Affairs Controller was asked to prepare a contingency plan on revenue impact should military projects are delayed and to also identify lease revenue opportunity.

6. Port Tariff Study – Suggest for management to proceed with the process of completing a full tariff study for the permanent tariff increases. Recalled from the PUC consultants conclusion that the tariffs being recommended in the interim rate are clearly subject to change because of changes in the assumptions that impact the Port. One example is the throughput volumes that were assumed in the financial feasibility plan may not materialize so how does that impact the tariff rates on a more permanent basis.

Mr. Camacho made motion to authorize management to proceed in completing the work necessary to move the complete tariff study and to authorize management to spend the \$100K budgeted and to identify funding for an incremental amount needed to complete the tariff study as required by law. The motion was seconded by Mr. Beery and was unanimously approved.

b. Maintenance/Equipment Committee: The Deputy General Manager said parts for the mobile harbor crane have arrived and have been installed. The crane will undergo a checklist review before it goes into operation.

c. Human Resources Committee: Mrs. Lacson presented the following:

1. Drug-Free Workplace Policy and Procedures – This program was adopted by the Board on March 26, 2009 through the Port's personnel rules and regulations. Presented before the Board is the drug-free workplace policy and procedure which will aid in maintaining a safe and healthy work environment free from the influence of alcohol and drugs. Therefore, it is being recommended to allow management to proceed with the transparency process.

Mrs. Lacson made motion to authorize management to proceed with the transparency process for the Port Drug-Free Workplace Policy & Procedures, seconded by the Vice Chairperson. Motion was unanimously approved.

2. Request for Above-Step Recruitment – Planner IV – A review of the above-step recruitment request has been performed. It is therefore being requested that the recruitment transparency process begin for purposes of recruitment above the minimum step for Mr. Jose G. Javellana III to the position of Planner IV at a Pay Grade L, Step 7, Sub-Step A at \$59,028.00 per annum based on exceptional qualifications. After the transparency process, and should this request be approved, the funding source would come from the lapse fund vacated by

a former employee of the Planner IV position in the amount of \$9,766.61. The amount needed for the above-step recruitment is \$4,466.57.

Mrs. Lacson made motion to authorize management to proceed with the transparency process for the above-step recruitment for Mr. Jose G. Javellana to the Planner IV position. Motion was seconded by Mr. Beery and was unanimously approved.

3. Funding of Vacant Positions – Based on the previous meeting, Board had adopted to freeze all vacant positions until such time it is determined that the tracking of revenues and projected forecast are in line with fiscal year 2010 budget; however, being presented before the Board is a request to fill 14 vacant positions from those that have resigned, retired and/or passed on. No additional funding is being requested, but that the filling of these positions will be funded through lapse funds from vacant positions budgeted for this fiscal year. He mentioned that the filling of these positions are critical to terminal operations so as to not compromise the movement and flow of cargo. The following positions consist of: Stevedoring division – 4; Transportation division – 4; and Terminal Division – 6.

Mrs. Lacson made motion to fill vacant positions for the following: 1-Stevedore Supervisor, 3-Stevedore, 4-Equipment Operator II, 1-Cargo Checker Supervisor, and 5-Cargo Checker. Motion seconded by the Vice Chairperson and was unanimously approved.

d. Property Leasing/Port Development Committee: Mr. Nelson presented the following:

1. Agat Small Boat Restaurant & Dock Shop Facility – Request for proposal was issued for the Agat restaurant concessionaire. There was one lone respondent who is the exiting tenant; however award held in abeyance due to accruing accounts receivables. Several attempts to hold meetings and resolve accounts receivables were made, but to no avail. It is therefore being recommended that the bid be reissued and terminate agreement with existing tenant with a 90 day notice.

The Vice Chairperson made motion to authorize management to terminate agreement with the restaurant operator at Agat Small Boat Restaurant & Dock Shop Facility with 90 day notice and reissue bid for the facility operator, seconded by Mrs. Lacson. Motion was unanimously approved.

2. Mobil – Notice of Exercise of Option to Renew – Mobil provided notice to exercise option to renew on January 8, 2010. Renewal deadline is March 20, 2010. The Port's appraisal consultant has completed the fair market valuation of Lot 1 (Area C). It is being requested that management enter into sublease fee schedule negotiations with Mobil.

Mr. Camacho made motion to authorize management to renegotiate the option renewal of Mobil Lease, seconded by Mr. Beery. Motion was unanimously approved.

3. Sunken Boat Removal – Smithbridge is currently working on regulatory permits and is pending only Army Corps of Engineers approval. Smithbridge posted notice to

the public in January 28, 2010 edition of the Pacific Daily News informing the general public of their operation in removing and disposing of sunken boats for both marinas. Operation is slated to be completed on or before March 1, 2010.

3. Appraisal Services – Services of Port’s appraisal consultant was sought to appraise the lease value of submerged lands located at the Port. Cost proposal amount is \$14,250.00. Seeking Board approval for \$14,250.00 to enable notice to proceed.

Mr. Camacho made motion to authorize management to proceed with the notice to proceed for appraisal services of Captain Hutapea & Associates relative to the submerged lands located at the Port Authority. Motion was seconded by the Vice Chairperson and was unanimously approved.

e. Procurement Advisory Committee: The Vice Chairperson presented the following items.

1. PMC-RFP – Continual review of performance management contract request for proposal in progress.

2. Procurement Manager Recruitment – Management have interviewed, selected a replacement candidate who is in the process of completing the recruitment requirements. Expect candidate to be on board in the next two weeks.

3. Procurement Delegation Authority – Strategies to gain port procurement delegation in place, such as continue working with General Services Agency; Governor granting the Port procurement delegation authority by executive order as an interim solution; and prepare proposed legislation for Legislature review and enactment for long term needs.

f. Building Facility Committee: Mr. Beery asked how does the processing of federal grant work. Mr. Guevara said the Port first render payments for services to its consultant working on projects funded by federal grants. As the Port receives invoices, payment is made to the consultant, then Port submits to the Grantor supporting documents for reimbursement and drawdown of federal grant funding for that particular project.

Remaining items under Reports were for Board’s information. Without objection, items under new business were entertained.

## VII. NEW BUSINESS

a. Board Resolution No. 2010-01: Recognizing Micronesia Empowerment Volunteers – Beautification of Family Beach: At this time, the members recognized the presence of Mr. Ansito Walter. Mr. Walter thanked the members and extended a gratitude of thanks for allowing his organization to beautify family beach. It’s an honor to perform this community service to not only the Port Authority, but to the people of Guam. The Chairman presented Board Resolution No. 2010-01 – Relative to recognizing the contributions made by

Micronesia Empowerment Volunteers towards the beautification of Family Beach, Port Authority of Guam. All those present congratulated Mr. Walter and thanked his organization's efforts in beautifying port family beach.

b. **Proposal – Maintenance of Classification & Compensation Plan:** (Item addressed under HR committee report.)

c. **Filling of Vacancy Positions – Operations:** (Item addressed under HR committee report.)

d. **Port Director's Summit with USDOT Secretary Ray LaHood, February 4-5, 2010, San Diego, California:** The Chairman asked management to arrange a conference call with MARAD prior to this summit in order to address the following: MOU PAG/MARAD regarding 3%; article in Marianas Variety of January 27, 2010; MARAD to assist Guam participants to have 10-15 minutes with Secretary Ray LaHood.

Mr. Beery made motion to approve travel request for two Board members to attend the Port Director's Summit with USDOT Secretary Ray LaHood on February 4-5, 2010, San Diego, California. Motion seconded Mrs. Lacson and was unanimously approved.

## VI. OLD BUSINESS

a. **Compensation & Benefits Study-Extension Request-Contract (Second) Amendment:** (Item addressed under HR committee report.)

b. **Annual Travel Budget:** As directed at the previous meeting, the General Manager presented the annual travel budget. Management was asked to reformat and identify budgeted versus non-budgeted and to add SeaTrade Conference Cruise Shipping held in Miami on March 2010.

## VIII. PUBLIC COMMENT

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

## IX. EXECUTIVE SESSION

**RECESSED:** The members agreed to recess prior to moving into executive session. Meeting recessed at 5:00 p.m.

**RECONVENED:** The meeting reconvened at 5:04 p.m.



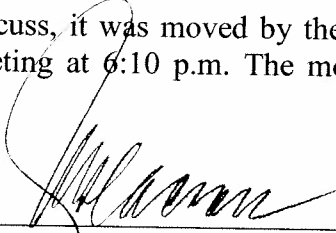
At this time, the Board went into executive session. Executive Session ended at 6:05 p.m. The Board is now back in regular meeting session. Items addressed in executive session include Watts Constructor; General Manager Performance Evaluation and Guam YTK.

1. Civil Case No. 10-00002 Watts Constructors v Port Authority - The Vice Chairperson made motion to authorize management to seek legal representation from the Attorney General specific to civil case of Watts Constructors in the District Court of Guam, seconded by Mr. Beery. Motion was unanimously approved.

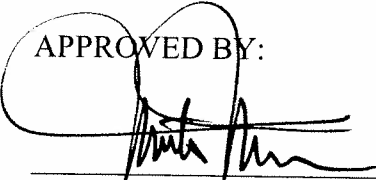
Management and Legal Counsel were advised to prepare letter to the Attorney General indicating that Board authorizes management to seek representation from Attorney General's office in the Watts Constructors civil case. The Chairman asked counsel should the AG's office consider this task to assist the Port in this case, whether all work already performed by counsel would be shared with the AG. Legal Counsel said the Board has made this motion and passed it, the AG's office will take over representation and whatever questions they may have, counsel's office will assist; however as a general caveat of legal practice, AG's office will have to pursue their own exercise and professional judgment which is a requirement. In other words, the AG's office would have to be able to exercise their own professional judgment. The Vice Chairperson commented that there would be no problem then to transition this case from counsel's office to the AG's office.

#### X. ADJOURNMENT

There being no further business to discuss, it was moved by the Vice Chairperson and seconded by Mrs. Lacson to adjourn the meeting at 6:10 p.m. The motion was unanimously passed.

  
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MARILOU LACSON, Board Secretary, Board of Directors

APPROVED BY:

  
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MONTE MESA, Chairman, Board of Directors

