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Governor of Guam

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**MINUTES OF THE**  
**SPECIAL MEETING OF THE BOARD OF DIRECTORS**  
**Thursday, July 1, 2010**

**I. CALL TO ORDER**

There being a quorum, the special meeting of the Board of Directors was called to order at 5:00 p.m., Thursday, July 1, 2010. Present at the meeting were:

Monte Mesa, Chairman  
Jovyna Lujan, Vice Chairperson  
Joseph Camacho, Member  
William Beery, Member  
Enrique Agustin, General Manager  
Vivian C. Leon, Deputy General Manager, *Interim*  
Atty. Rebecca Santo Tomas, Co-Counsel

Absent were Mrs. Marilou Lacson, Board Secretary. Also present were Jimmy Camacho-Senator Tom Ada's office; Matt Smith-Port OAE Consultant and Port Management staff.

**II. OLD BUSINESS**

Without objections, the members first entertained item b under old business.

b. **Property Development:** Mr. Glenn B. Nelson, Commercial Manager said the committee held its meeting on June 24, 2010 and recommend the following board action.

1. **Concrete Solutions/HUBLLine & Notice of Area Availability** - Concrete Solutions Inc. submitted a proposal on June 11, 2010 to lease a 5 acre portion of Parcel One commonly known as the Cabras Island Industrial Park area. Purpose of lease is to construct a facility to support cement batch plant or staging of imported high quality aggregate. Area desired encompasses 20,234 square meters. Rate proposed equates to \$222/m<sup>2</sup> factoring \$4.5M land valuation at 8% annual capitalization rate. It is being recommended for Board to authorize management to engage CSI further on proposed terms with goal to negotiate fee schedule upward of that being proposed. Nothing less than \$1M per acre valuation will be considered or for purposes of this proposal \$247/m<sup>2</sup>, with annual escalation of which range shall be determined.

In relation to this matter and as presented specific to Concrete Solutions Inc. and HUBLIne, Board action is also being sought to authorize management to issue Notice of Area Availability for the following Port properties: 1) Approximately 10 acres within Parcel One commonly known as the Cabras Island Industrial Park; and 2) Approximately 15 acres within Parcel One located adjacent to Port Beach and parallel Route 18.

Mr. Camacho asked with the proposed rent rate, how it compares to other properties that have been recently leased. Mr. Nelson responded in the case of the Cabras Industrial Park tenants, Mobil as well as SPPC the common valuation is \$240/m<sup>2</sup>. The easement agreements that is in place and as approved by PUC was at a \$227/m<sup>2</sup>, that being a vicinity rate for all of Piti as determined by the Port's Appraisal Consultant; however was not site specific because the easement actually runs through various parcels. The \$222/m<sup>2</sup> seems to be a common number being proposed by these companies which equates to \$6K/month/acre. The committee felt it appropriate to negotiate upward. The Chairman said the committee also considered that areas away from the waterfront are areas not of high value, but basically to be consistent a notice of availability for land was issued last year and the committee agreed to issue another notice because there are so many different interests and request, but to keep in mind the overall strategy is to support marine water borne activities, especially with the military buildup eminent there is a lot of companies strategizing to lease port properties to support that buildup. Mr. Camacho expressed concern about subleasing activities and said it is important to ensure control of those activities as there may be cases for example that subleases are done at a higher rate than what the lessee is paying which needs to be looked at carefully. Mr. Nelson said that decision will be determined by the Board as recommended by management. Mr. Beery asked how would it be determined if there are two proposals that express interest at the same location of port property. Mr. Nelson said the Board will determine who would be the better candidate, for example, if one is for staging of chassis versus one that is specific to aggregate inbound and have the supporting financials and forecast to support such need, then the obvious choice will be for the latter. Mr. Beery commented that based on past practice, there needs to be a performance clause to ensure development.

Mr. Camacho said based on the report being presented he asked what would the \$742/m<sup>2</sup> rate apply towards. Mr. Nelson said such fee is for purposes of Open Space/Yard areas of the port, such as marinas, port property open yard areas, etc.

Mr. Camacho made motion to authorize management to issue the Notice of Area Availability; and establish a minimum of \$247 per square meter as the basis that is accepted for a minimum of one acre of port property as recommended by management, subject to PUC concurrence, seconded by the Vice Chairperson. Motion was unanimously approved.

2. Fuel Throughput – On April 29, 2010 the Board of Directors directed staff to proceed with an initiative to revisit the fee structure for the use of the Port's special purpose assets – fuel piers. In doing so, the Ports Appraisal Consultant Captain Hutapea & Associates has completed the update of their November 2008 study. Request is now being made for Board

to adopt the appraisers' conclusions and approve the modified fee structure which will be forwarded to the PUC for final approval.

Discussions took place on the process and arrangement with PUC relative to leases. It was reported that PUC is currently developing the protocol. Mr. Camacho asked for a list of port leasable lands available.

Mr. Beery made motion to adopt the findings contained in the June 2010 Updated Consulting Report Regarding Wharfage and Fuel Storage Study for Port Authority of Guam as prepared by Captain Hutapea & Associates, and approve the modified fee structure to be forwarded to the Public Utilities Commission for final approval. Motion seconded by the Vice Chairperson and was unanimously approved.

3. ExxonMobil – Matters are as follows:

1. Area C Rent - Rent negotiations for Area C has been at a holding pattern for reasons that Mr. Genarro Cioffi, Mobil Manager is currently off-island and slated to return next month. After having discussed this with the committee, it was agreed that management continue to engage ExxonMobil on this matter. A meeting is scheduled for next week.

2. Golf Pier Pipeline – Replacement of pipeline project now in the Port's court. Based on meeting with the Assistant Attorney General John Weisenberger, the Port must go out to public bid. Although a formal opinion is pending, Mr. Nelson said pursuant to the terms of the existing Management Agreement, the Port has the authority to go out on public bid and need not wait for a response from the Attorney General's office. Board action is being requested to authorize management to finalize and go out on public bid for the construction package for replacement of the Golf Pier associated pipelines.

Mr. Camacho asked whether the cost to replace the pipelines is at \$3M and does the Port have the financial resources to support this project. Mr. Nelson said the overall cost is at \$3.3M as represented by ExxonMobil then, but will be dependent upon proposals submitted. Mr. Jojo B. Guevara, Financial Affairs Controller said the amount incorporated in the Port's fiscal year 2010 budget is at \$2.5M and the remainder will be allocated in fiscal year 2011 budget.

Mr. Beery made motion to authorize management to finalize and place out to public bid the construction bid package for replacement of the Golf Pier associated pipelines, seconded by Mr. Camacho. Motion was unanimously approved.

4. Hagatna Marina Dock B – A meeting was held with Department of Agriculture on June 23, 2010 to address the design/built for dock B at Hagatna Marina. Department of Agriculture had agreed to assist in this project. The funding available is \$180K. Board action is being requested to authorize management to go out on public bid in order to move this project forward.

The Vice Chairperson made motion to authorize management to place out to public bid the design/built package for Hagatna marina dock B, seconded by Mr. Beery. Motion was unanimously approved.

a. **PMC-RFP Development:** Ms. Alma B. Javier, Procurement & Supply Manager presented the PMC status and timeline before the Board. She mentioned that in accordance with Public Law 29-23 and Public Law 30-90, the evaluation committee will complete its review of the proposals for the performance management contract on July 6, 2010. The next process in this request for proposal is the cost negotiations and if successful with the highest ranked offeror, the notice of award can be made by September 2010. However, if negotiations fail, the cost negotiation committee will engage the next highest rank offeror for a possible issuance of a notice of award by October 2010.

For Board's information, Ms. Javier presented the Board with the timeline of the crane acquisition mandated by Public Law 30-100. Mr. Camacho expressed concern about the financing aspect and said based on the financial feasibility plan, the Port's borrowing capacity is about \$57M. The Port is currently working on a \$50M loan with USDA, plus the \$3.5M loan for cargo handling equipments, totaling \$53.5M, which is close to the debt capacity. Mr. Camacho mentioned that given the change in cargo forecast, asked that the financial feasibility plan be updated to determine whether there is a difference in the debt capacity. Once ascertained, the decision to de-obligate the \$14M that USDA has obligated to the Port for purchasing cranes can be determined. After discussion, management was advised to re-evaluate the debt capacity with the assistance of the Port's OAE Consultant Parsons Brinckerhoff Americas based on the new cargo forecast which will provide a clearer picture on this matter.

### III. EXECUTIVE SESSION

**RECESSED:** Meeting recessed at 6:10 p.m.

**RECONVENED:** The meeting reconvened at 6:20 p.m.

At this time, the Board went into executive session. Executive Session ended at 7:25 p.m. The Board is now back in regular meeting session. Items addressed in executive session include GFT Collective Bargaining Unit; Watts Constructors Civil Case No. CV10-00002 and Guam YTK.

1. Watts Constructors Civil Case No. 10-00002 - Mr. Camacho made motion to have legal counsel proceed with the recommendations as discussed in the executive session, seconded by the Vice Chairperson. Motion was unanimously approved.

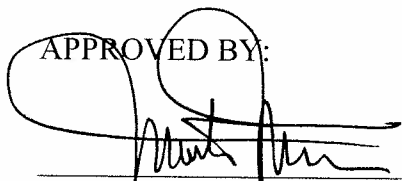
#### IV. ADJOURNMENT

There being no further business to discuss, it was moved by Mr. Beery and seconded by Mr. Camacho to adjourn the meeting at 7:30 p.m. The motion was unanimously passed.



MARILOU LACSON, Board Secretary, Board of Directors

APPROVED BY:



MONTE MESA, Chairman, Board of Directors

WITH CORRECTIONS NOTED.

