



**PORT AUTHORITY OF GUAM  
ATURIDAT I PUETTON GUAHAN  
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  
Tuesday, November 23, 2010**

**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., Tuesday, November 23, 2010. Present at the meeting were:

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

Also present were Trish Granillo-AM Insurance; Matthew Smith-(OAE) Parsons Brinckerhoff Americas; Alan Searle-PAG Compensation Study Consultant; K.K. Vikraman/Darrel Dela Paz-Tristar; Kaleo Moylan-Cement Plus and Port Management staff.

**II. APPROVAL OF MINUTES**

a. **October 28, 2010**: The Vice Chairperson made a motion to approve the minutes of October 28, 2010 subject to correction. The motion was seconded by Mrs. Lacson and was unanimously passed.

**III. CHAIRMANS REPORT**

a. **MARAD Engineer Representative** – Conference call was held with MARAD two weeks ago to reconfirm the relationship building. MARAD is currently in final negotiations with a candidate to fill the Engineer position that will be stationed on island representing MARAD and closely working with the Port. Hopeful that this arrangement will be completed this week or sometime next month.

b. Board & Management Working Session – Working session was held on November 13, 2010 which went well as discussions included key issues covering port terminal tariff study; performance management contract; procurement delegation; MARAD partnership and 2011 overall strategic direction with new administration transition team. The working session also included the presence of the Transition Team, namely Peter Leon Guerrero, John Limtiaco and Don Cho from the Governor-Elect Calvo/Tenorio Team. Another meeting will be arranged with the Committee on Infrastructure chaired by Mr. Simon Sanchez upon his return from off-island the week of December 6, 2010. The Port has submitted its agency transition report which is very helpful for those committee members.

In relation, the General Manager said the Transition Team on Public Safety, namely Sonny Castro met with myself, Chief Doris Aguero and Captain Frank Aguon briefly on security and safety issues.

c. Port Procurement Delegation - The Chairman said the procurement delegation authority is being worked through and anticipates the return of the Chief Procurement Officer, GSA this week. Upon her return, the Port should receive a letter from her that authorizes procurement delegation for a six month period. The Chairman is confident that the Port will rise above the expectation and demonstrate that the authorization is well deserved beyond the six months.

d. Fishing Permits – Advised Marketing division to issue public notice on the process to obtain permits for fishing at port premises.

e. MOU Attorney General Office and PAG – Asked the status of the memorandum of understanding. The Deputy General Manager said there were changes made, pending review from member Camacho and the Financial Affairs Controller to determine whether MOU is in order.

#### **IV. GENERAL MANAGERS REPORT**

1. Public Hearing Bill No. 488-30 – Public hearing was held on November 12, 2010 relative to Bill No. 488-30 an Act to amend Section 10401 of Title 12, GCA, Chapter 10, Port Authority of Guam, Article 4, Public-Private Partnership through a Performance Management Contract. The Port provided testimony in support of this bill.

2. Port Tours Conducted – November 15 for Department of Defense Task Force. Task Force is comprised of representatives of Army, Navy and Air Force Units. Purpose was to assess port vulnerabilities and layout of the premise in the event of a disaster. This exercise is in conjunction with Homeland Security to provide assistance to local agencies should the need arise.

3. Ship Breaking Activity – Visited by (Ret.) Rear Admiral Chris Weaver who is looking to potentially introduce new business to Guam called Ship Breaking Activity. The process involves the dismantling of obsolete vessel's structure for scrapping or disposal which is

conducted at a pier, dry dock or dismantling ship. It includes a wide range of activities from removing all gear and equipment to cutting down and recycling the ship's infrastructure. Ship breaking is a challenging process due to the structural complexity of the ships and the many environmental, safety, and health issues involved.

4. **GAO Visit** – Received call from the Admiral's office staff informing Port of the Government Accounting Office visit by the end of the month or first part of December 2010 to learn more about the Port. Their office will confirm a visit with the Port once arrangements on their end have been finalized.

5. **GWA Meeting** – Staff finally met with GWA on October 29, 2010 relative to the water distribution/billing and deduct meter install. Based on such meeting, GWA was to commence work on the deduct meter that would determine water leak source.

## V. REPORTS

a. **List-Federal Grant & Local Funding Programs:** The Chairman advised management and staff to follow through and keep track on federal grants/loans & local funding that includes projects under marinas, port security grants and port modernization program. Planning division was also advised to follow through with MARAD relative to EDA funds on port reimbursements; FY2010-02-Port Modernization Plan to notate that it is a direct/guaranteed loan at \$25M each; and that the amount for Marina Repairs of Docks A, B, C should reflect \$620K, rather than \$520K.

b. **Insurance Report:** Mrs. Trish Granillo, AM Insurance presented the lines of coverage for the Port's FY2011 Insurance Program that have been renewed on October 1, 2010. The Chairman followed up on the Owners-Controlled Insurance Program (OCIP) Wrap-Up to determine how it could be beneficial to the Port as well as the modernization program. He then advised to also look into the risk assessment of port properties and harbor of refuge. Mrs. Granillo said she will work with the Port's Risk Management Consultant on these matters.

c. **Operations Productivity Report:** Relative to the vessels chassis count report, the General Manager said during the last port users group meeting, Matson had indicated that they are experiencing difficulties in obtaining license plate registration for their volume of chassis at Department of Revenue & Taxation. Matson was advised then to meet with the agency Director for some assistance.

d. **Marina Report:** The General Manager said the bid to remove the two remaining vessels from the water have been awarded to Cabras Marine. Due to the nature of the vessels, a cradle needs to be built to assist in the removal which is being worked on at this time.

The Vice Chairperson asked whether periodic ground maintenance is performed at the Agat marina. Mr. Joe Ragasa, Facility Superintendent said staff is scheduled to clear the debris and perform ground maintenance work this week.

e. **Safety Report:** Summary to date includes 2 lost-time injuries and 2 recordable injuries; 2 industrial accidents were investigated. Mr. Beery queried whether those injuries are serious conditions. Response made was in the negative in that one will return back to work in a few days and the other by next month.

**Committee Reports:**

a. **Finance Committee:** The October FY2010 Financial Report was presented to the Board for their information. Mr. Camacho said the Finance committee met yesterday and addressed the following.

1. **Tariff Study Update** – The consultant had presented three scenarios to the committee as follows: 1) increase tariff at 3.95% that includes container, breakbulk and cement – all increase with military buildup; 2) increase tariff at 4.26% that includes only container – increase with military buildup; and 3) increase tariff at 5.50% - no military buildup. The committee recommends approval of Scenario 1 to be submitted to the Public Utilities Commission. Mr. Camacho commented that it is necessary to reassess the tariff on an annual basis, calibrate it to the level of activity, cost of living adjustments, inflations, and the general economic climate.

Mrs. Lacson made motion to authorize management to move forward with the Tariff Consultants recommendation on the Port Terminal Tariff Scenario 1 which includes: Container, Breakbulk, Cement all increase with military buildup at an annual tariff increase of 3.95% to be submitted to the Public Utilities Commission, seconded by the Vice Chairperson. Motion was unanimously approved.

2. **USDA Letter of Conditions** – The Port submitted to the Public Utilities Commission documents related to the USDA letter of conditions of which will be brought before the PUC Board to allow the Port to agree to the terms and conditions and to proceed in obtaining a loan from the USDA Rural Development Direct and Guaranteed Loan program.

3. **Commercial Division–Creation of New Positions** – To be addressed under the Human Resources committee.

4. **Mobil Tank Farm Update** – Discussions were held on this matter, in that the Port owns the tanks, opportunity to generate revenue, tanks have not been refurbished to meet the standards of operation. Management sent letter to Mobil to address these concerns in accordance with the Management Agreement. Pending response from Mobil at this time.

b. **Maintenance/Equipment Committee:** Report made that mobile harbor crane is operational.

c. **Human Resources Committee:** At this time and without objections, the Board recognized the presence of Mr. Alan Searle, Port Consultant on the Compensation Study to address the performance management tool. Mr. Searle thanked the members and mentioned that

there are two forms in the performance management tool: Supervisory and Non-Supervisory. Mr. Searle proceeded to explain the Work Planning and Performance Evaluation Form.

#### Supervisory

- 5 point rating scale
- key performance indicators – performance allocation, having operations-30%, finance-15%, people-15%, information-10% which accounts for the total performance score of 70%
- performance competencies
- performance comments
- developmental recommendations
- personal development

#### Non-Supervisory

- 5 point rating scale
- personal performance – 10 job factors which accounts for 70% of total performance score
- performance competencies
- performance comments
- developmental recommendations
- personal development

Mr. Searle said although similar, the Non-Supervisory is identified with Job Factors, rather than KPI's. He encourages ratings be performed on a quarterly basis.

Mr. Camacho asked when this form will be implemented. Mrs. Francine T. Rocio, Personnel Services Administrator mentioned that staff has begun scheduling to meet with Managers and Division Heads from each department next week to begin the process of establishing KPI's for all positions. Mr. Camacho commented that this is a good performance management tool and asked whether management is able to work with this form. The Deputy General replied positively, as this considers the duties and responsibilities of the position to be measured, and work performance can be quantified.

At this time, Mrs. Lacson presented the following items.

1. Budgeted Position Filled – Terminal: Cargo Checker, Planner-Work Coordinator; Finance: Accountant III; Equipment Maintenance: Trades Helper. These positions were either vacated based on resignation, retirement or transfer.

2. Creation of Commercial Positions - Request authorization from the Board to allow management to begin the creation process for Commercial Specialist I & II and Commercial Specialist Supervisor positions. This request is presented to initiate the transparency and disclosure process in accordance with Title 4, GCA, Section 6303(d) and the Port's Personnel Rules and Regulations.

Mrs. Lacson made motion to authorize management to begin the transparency process and disclosure reports to establish the creation of positions of Commercial Specialist I, Commercial Specialist II, Commercial Specialist Supervisor under the Port's Classification and Compensation Plan, seconded by Mr. Beery. Motion was unanimously approved.

d. **Property Leasing/Port Development Committee:** Mr. Glenn B. Nelson, Commercial Manager said the committee met on November 22, 2010 and addressed the following items.

1. **Lease Proposal on Port Properties** – As reported in previous meetings, there were three responses to the July 29, 2010 Notice of Area Availability process. Such companies have provided the Port with pertinent information requested for further consideration, namely Knik Construction, Concrete Solutions, Inc. and Cement Plus. Proposals are as follows:

- **Knik Construction:** lease 5 acre portion of Parcel 1 commonly known as Cabras Island Industrial Park. Purpose to support inbound aggregate staging and issuing operations. Area desired is 20,234 square meters. Term sought is five (5) years.
- **Concrete Solutions, Inc.:** lease 5 acre portion of Parcel 1 commonly known as Cabras Island Industrial Park. Purpose to construct facility to support cement batch plant or imported high quality aggregate. Area desired is 20,234 square meters. Term sought is five (5) years.
- **Cement Plus:** lease approximately 20 acres off from Route 18. Purpose to construct berthing and receiving facility as well as back land facilities to support batching plant and construction materials/aggregate storage. Term sought is five (5) years with series of five year options due to the level of capital development being contemplated.

During the committee discussions, guidance was provided for staff to prepare letters of intent to the three respondents, such as 1) formally engage for potential lease; 2) assess \$247 per square meter versus \$222 per square meter proposed by each company; 3) complete ongoing survey work incidental to identifying respective leased area prior to occupancy. It is now being requested from the Board to authorize management to engage all three companies to first agree to the financial terms consistent with the rate approved by the Board on July 1, 2010 and upon completion of ongoing parceling work, the authority to then work with the three companies to prepare draft leases for subsequent Board review, consideration and approval.

Mrs. Lacson made motion to authorize management to engage Knik Construction, Cement Solutions, Inc, Cement Plus and move forward with the lease negotiations, seconded by the Vice Chairperson. Motion was unanimously approved.

2. **Casamar Guam, Inc.** – This matter was forwarded to legal on September 27, 2010. Purpose was to prepare notice incidental to terminating the lease for reasons related to financial default and possible non-compliance of terms due to apparent state of insolvency. In connection to this, Port Real Estate Consultant had recommended for Port to proceed with the appraisal of the lot to determine appropriate rent levels to be reflected in the Port's demand letter. It is now

being requested of the Board to adopt the findings of the Summary Appraisal Report prepared by Port's Real Estate Consultant on November 19, 2010.

Mrs. Lacson made motion to approve and adopt the findings contained in the Summary Appraisal Report regarding fair market ground rent for Casamar Guam, Inc. (Lot No. 5) prepared by Captain, Hutapea & Associates on November 19, 2010 and approval of the statement of value will be the basis of Port position relative to extended period rent negotiations. Motion was seconded by the Vice Chairperson and was unanimously approved.

3. Cementon Micronesia - Mr. Beery asked whether Cementon Micronesia has provided the Port with a copy of their construction schedule on the cement project. The Deputy General Manager replied negatively. The Chairman asked management to obtain the information and request their presence at the next board meeting to report on their project status.

In relation, Mr. Nelson said Bill No. 442-30 is currently on the legislative session floor to approve the lease terms of the agreement between the Port and Cementon Micronesia.

4. Tristar Pipeline Relocation – Oral Communication Record dated November 23, 2010: *A meeting was held with Tristar representatives regarding the relocation of the pipelines and what party will be responsible for the relocation costs. After numerous meetings over the course of several months, it is apparent, we have reached a stalemate in these discussions. Tristar remains in the position they will oppose any efforts by the Port to force them to bear the cost of the relocation. Despite various proposals under which Tristar or Port or combination of the two parties would bear the cost of the relocation, we have been unable to reach an agreement on how this might be achieved. Tristar is adamant that it will not take on the relocation cost or even of the initial design work unless they are assured that they will be able to collect or recoup their costs either from the Port or their end-users of the pipelines via increased end-user or reduced Tristar fees. During today's meeting, they also requested that all stakeholders who may potentially face increased fees be invited to discuss the consequences of the relocation of the pipelines. The option of the Port paying for the lines present several difficulties as the funds for the relocation are not part of the proposed scheme for the modernization funds and we may not be able to borrow the necessary funds for the relocation project due to our debt ceiling capacity. Without legislative approval, the Tristar easement agreement is expected to expire November 30, 2011. Management Agreement for the F-1 pier is scheduled to expire 2013. They appear to be in the position that they or Shell were not provided adequate notice of the need to relocate the pipelines, which the Port disagreed with. Though they are willing to engage in discussion with the Port, they yet to take any responsibility for the relocation of the pipelines.*

Mr. Nelson presented the Board with a (draft) diagram that basically depicts the location of pipeline's current position which is through the container yard to be removed and relocated alongside Route 11. This is a complicated issue and will continue to work to remove those pipelines which may require more time than anticipated.

Mr. Beery asked whether there is a plan B on the location of the fuel lines. Mr. Nelson said there are other alternatives: place lines from the point of F-1 pier to the back which is too costly at a time prior to dredging. The idea is to remove those lines when the hardening of the Route 11 project commences. Other option available is to lower the lines or leave the lines in place, but will not be in the best interest of the Port to do so.

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

1. RFP No. 011-001 Construction Management Services for Pipeline – Evaluation and ranking has been completed. Cost negotiations meeting scheduled to begin on November 29, 2010.

2. Construction – IFB No. CIP-010-002 GDP Marina Renovation & Site Improvement, Phase I – Bid opening was held on September 30, 2010. Bid evaluation has been completed. Notice of Intent to Award was issued to Black Construction Company for \$1,252,000.00 as the lowest responsive bidder. The project is funded under the Federal Grant through Department of Interior.

3. IFB No. CIP-011-001 Design-Build for GDP Hagatna Marina Dock B Repairs – Bid opening was held this afternoon. Lowest bid amount received was \$288K. Funding source is U.S. Department of Agriculture.

f. **Port Modernization Program Committee:** Mr. Beery presented the following items.

1. OAE Task Order No. 12 – Port Capacity Building – This task order includes Project Controls and PAGU University.

Mr. Beery made motion to approve the OAE Task Order No. 12 – Port Capacity Building, funded by Office of Economic Adjustments. Motion was seconded by the Vice Chairperson and was unanimously approved.

2. OAE Task Order No. 15.2 – Water Chemistry Characterization – The purpose of this task order is to adjust the scope of work to meet the new requirements of U.S. Environmental Protection Agency.

Mr. Beery made motion to approve OAE Task Order No. 15.2 – Water Chemistry Characterization, funded by Office of Economic Adjustments. Motion was seconded by the Vice Chairperson and was unanimously approved.

3. OAE Task Order No. 29.2 Correction - Design Services – This task order is on a time and material basis, and based on project completion of 29.1, 29.2 and 29.3 results show that there is a final close-out reduction of approximately \$150K.



Mr. Beery made motion to approve OAE Task Order No. 29.2 Corrections – Design Services, Final Close-Out Reduction, seconded by Mr. Camacho. Motion was unanimously approved.

Mr. Beery said as to the modernization program itself, there have been numerous meetings and discussions on the proposed implementation plan prepared by PMT-EA which needs further review as there are concerns. He noted the obvious problem that is the pipeline positioned through the container yard creates a diversion of the master plan. The practical side of the committee realizes that action needs to be taken and that it is necessary for the Port to take ownership of this issue. The Chairman asked that a meeting be arranged to discuss the Tristar pipeline relocation matter in order to provide recommendation to the Board on how to proceed at its next meeting. He shares the concern of member Beery in that the pipeline is a hindrance to moving forward with the modernization program. Mr. Beery commented that there are other concerns, for instance the means and method of creating a delivery system for the modernization, such as design-build versus the design-bid-build concept and the overall schedule.

## VI. OLD BUSINESS

- a. **Ratification: OAE Task Order No. 12 – Project Controls / PAGU University:**  
(Item addressed under Port Modernization Program committee)
- b. **Port Terminal Tariff:** (Item addressed under Finance committee)

## VII. NEW BUSINESS

- a. **Creation of Positions: Commercial Specialist I, II & Commercial Specialist Supervisor:** (Item addressed under Human Resources committee.)

## VIII. PUBLIC COMMENT

- a. **Port Users Group Comment:** None.
- b. **General Public Comment:** None.
- c. **Employee Comment:** Mr. John B. Santos, PAGGMA President announced that the association will be hosting the Port's Christmas Party on December 3, 2010 at 6:00 p.m., Tasi Ballroom, Nikko Hotel. He extended an invite to the Board of Directors. The Vice Chairperson requested that at the venue to recognize staff involved in board subcommittees.

## IX. EXECUTIVE SESSION

**RECESSED:** Meeting recessed at 7:00 p.m.

**RECONVENED:** The meeting reconvened at 7:10 p.m.

At this time, the Board went into executive session. Executive Session ended at 7:43 p.m. The Board is now back in regular meeting session.

Items addressed in executive session included PMC, Guam YTK, Watts Constructors Civil Case No. CV10-00002 and Performance Evaluation of the General Manager.

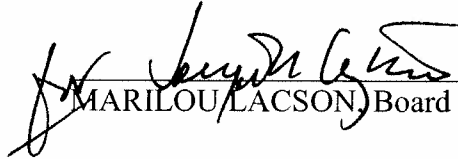
Mr. Camacho made motion to authorize Legal Counsel to move forward with what was discussed in executive session, seconded by the Vice Chairperson. Motion was unanimously approved.

### Next Board Meeting Date

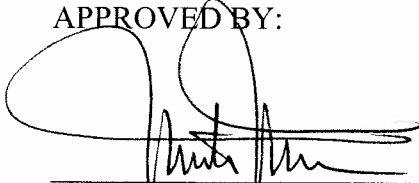
Without objections, the Chairman announced that the next board meeting will be held on Thursday, December 16, 2010 at 5:00 p.m., due to the holiday season.

## X. ADJOURNMENT

There being no further business to discuss, it was moved by Mr. Camacho and seconded by Mrs. Lacson to adjourn the meeting at 7:45 p.m. The motion was unanimously passed.

  
MARILOU LACSON, Board Secretary, Board of Directors

APPROVED BY:

  
MONTE MESA, Chairman, Board of Directors

