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Ray Tenorio
Lieutenant Governor

**MINUTES OF THE
SPECIAL MEETING OF THE BOARD OF DIRECTORS
April 28, 2011 and May 4, 2011**

I. CALL TO ORDER

There being a quorum, the special meeting of the Board of Directors was called to order at 11:45 a.m., Thursday, April 28, 2011. Present at the meeting were:

Daniel Tydingco, Chairman
Michael Benito, Vice Chairman
Jovyna Lujan, Board Secretary
Eduardo Ilao, Board Member
Pedro A. Leon Guerrero, General Manager
Anisia B. Terlaje, Deputy General Manager

Also present were Robert Shambach/Jack Mowreader-PMT EA; Len Isotoff-Matson; AnnMarie Muna-AM Insurance and Port Management staff.

II. OLD BUSINESS

1. **Legal Counsel Services:** Mrs. Alma B. Javier, Procurement & Supply Manager informed the Board that at its previous meeting they authorized management to proceed with cost negotiations with the highest rank offeror, Law firm of Phillips & Bordallo (P&B), for RFP No. 011-002 Legal Services. The negotiation committee completed the cost negotiations on April 19 & 25, 2011 and determined the rates to be fair and reasonable. She mentioned cost difference between P&B and current legal counsel was the paralegal and legal assistant services, which was lower. As a result, Board approval is being requested to award legal contract services to P&B law firm.

The Vice Chairman made motion to approve the award of RFP No. 011-002 Legal Service Contract to the Law Firm of Phillips & Bordallo, seconded by Mr. Ilao. Motion was unanimously approved.

2. **Pier F5 Status Update:** Mr. Simeon S. Delos Santos, Engineer Manager said the insurance engineering consultant performed a structural capacity analysis of the wharfs and POLA cranes and determined that the load is within the Port's design capacity and recommended for F5 pier to resume operations. However, there are limitations in that support beam 63 presents

some damages which needs to be repaired in the event of any natural disasters. He explained the structural build and makeup of the original wharfs which include sheet piles, tie rods and earth fills. During the earthquake in 1993, F5 pier was damaged and in order to combat the infraction it was decided then to build a stronger wharf, which was a deck wharf. This wharf is different from its original design. It was noted damages to beam 63, located in between F-5 and F-6, also affects a tie down area for one of the POLA cranes. Mr. Delos Santos understands that a final report from the insurance engineering consultant should be received by mid part next week which will determine the process forward.

3. **Implementation Plan:** The General Manager said the Port received MARAD's implementation plan addendum yesterday morning and management has begun its review and comments should be available first part of next week. The Chairman asked that a template be developed to track any changes or comments for Board's information. In anticipation of a possible joint MARAD-Port review of the implementation plan, management was asked to tentatively schedule a teleconference with MARAD on May 11, 2011 to address any of the Port's comments. It was also suggested that a working group with stakeholders be established to obtain their inputs on the implementation plan addendum.

4. **DOA 2011-01 Autonomous Agency Infrastructure Collection Fund:** As discussed in the previous meeting, Mr. Jose B. Guevara, Financial Affairs Controller presented a breakdown of Port transfers, subsidies and other related transactions that are possible offsets on the Department of Administration's invoice of \$12,250,000.00 as a result of Public Law 24-14. The breakdown was provided for the Board's information which consisted of Port operating loss; Port transfers to the Government of Guam; and government services funded by Port funds.

5. **Resolution No. 2011-04 Creation of Position – Maintenance Planner:** Mrs. Francine T. Rocio, Personnel Services Administrator said the Board at its meeting of March 4, 2011 authorized management to proceed with the transparency process for the creation of the Maintenance Planner position. The transparency process has since been completed pursuant to Title 4, Guam Code Annotated. Board approval is being requested to approve the creation of position for the Maintenance Planner.

Mr. Ilaio made motion to pass Resolution No. 2011-04 relative to approving the creation of the Maintenance Planner position in the classified service at a pay grade K as authorized under Title 4, Guam Code Annotated, Sections 6303(d) and 6303.1. Motion was seconded by Ms. Lujan and was unanimously approved.

III. EXECUTIVE SESSION

No executive session discussed.

RECESSED: The Vice Chairman made motion to recess the meeting to Wednesday, May 4, 2011 at 11:45 a.m., Port Authority Board Conference Room, Piti for purposes of allowing time to obtain additional information to further address items on the agenda. Motion was seconded by Mr. Ilaio and was unanimously passed. The meeting recessed at 12:50 p.m.

RECONVENED: There being a quorum, the Chairman called the meeting to order at 11:50 a.m., Wednesday, May 4, 2011. Present at the meeting were:

Daniel Tydingco, Chairman
Michael Benito, Vice Chairman
Jovyna Lujan, Board Secretary
Eduardo Ilaio, Board Member
Pedro A. Leon Guerrero, General Manager
Anisia B. Terlaje, Deputy General Manager

Also present were Richard Price/Claudia Clement-PMT EA; Jimmy Camacho-Senator Tom Ada's office; AnnMarie Muna/Trish Granillo-AM Insurance and Port Management staff.

1. **Legal Counsel Services:** Mr. Ted Christopher, designated attorney from the Attorney General's office serving as Port's in-house counsel mentioned the contract for legal services has been reviewed by the Attorney General's office and is currently being circulated for signatures.

Ms. Lujan made motion to approve the contract for RFP No. 011-002 Legal Services to Phillips & Bordallo law firm, seconded by Mr. Ilaio. Motion was unanimously approved.

2. **Pier F5 Status Update:** Ms. AnnMarie Muna, AM Insurance said the final report on F5 pier was received from their engineering consultant, Duenas & Camacho Associates. The report basically indicates the majority of the damages to F5 pier is not earthquake related and is mostly due to corrosion. The assessment on the earthquake damage ranges from \$100K-\$150K which is less than the Port's insurance deductible. Based on the report, Port operations on F5 pier can resume, however, it is recommended immediate action be taken to repair the earthquake and corrosion damages. It was noted conditions will deteriorate, if repairs are not done expeditiously, which could lead to operations on F5 pier to be limited. The Chairman said the report indicates the engineering consultant was unable to determine the cost estimate on the major repairs and replacement to the steel reinforcement and the beams, and inquired as to who would make that determination. The General Manager mentioned that management will work with its consultants to determine the cost associated with the repairs on F5 wharf and all other factors involved.

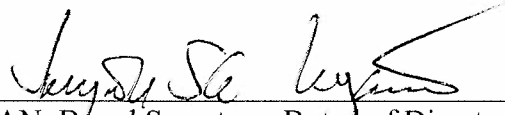
3. **Implementation Plan:** As discussed at the previous meeting, the General Manager said the review process on the implementation plan as submitted by MARAD is still ongoing. He yielded to Mr. Jeff Peck, Port OAE consultant to explain the review process. Mr. Peck thanked the members and said based on an internal review by management there appears to be no significant difference between what was discussed originally with MARAD and PMT-EA. There are details and subtle issues that are not necessarily resolved. However, the review process with management on MARAD's implementation plan includes: spreadsheet which summarizes/categorizes the review, primarily editorial; white paper which provides recommendation moving forward - still working on cost estimate figures, and adjustments in priorities. Mr. Peck said the review should be completed by tomorrow. The members advised management to arrange an internal working session on May 6, 2011; then with all stakeholders to address the implementation plan the week of May 16, 2011.

4. **DOA 2011-01 Autonomous Agency Infrastructure Collection Fund:** As presented at the previous meeting, Mr. Jose B. Guevara, Financial Affairs Controller mentioned Public Law 24-14 mandates autonomous agencies to transfer in the aggregate sum of \$3.5M into the infrastructure collection fund from its operating surplus by the end of each fiscal year. The Department of Administration's invoice reflects periods of 1998 to 2011 at an annual assessment of \$875K; totaling \$12,250,000. He pointed out the Port's audited financial statements from 1993 to 2002 and 2006 revealed an operating loss, which the law requires the transfer of monies are to occur only if the Authority incurs an operating surplus. During this period, the Port recorded an operating loss for six fiscal year periods of \$5.250M of DOA's payment periods that clearly shows it is not within the intent of the mandate; resulting in a remaining amount of \$7M. Mr. Guevara stated the Port had transferred funds to the infrastructure fund back in 1997 at \$3.5M which should be applied against the \$7M; resulting in a remaining amount of \$3.5M. With Public Law 24-117 in 1998, the Port also transferred \$2M to the government of Guam to assist in the damage restoration related to Typhoon Paka, which was to be reimbursed, but to date no reimbursement has been made by Government of Guam. This amount should be considered as payment against the infrastructure fund; resulting in a remaining amount of \$1.5M.

Other considerations includes the 'early out' retired employees which is reimbursable to the Port by the government of Guam at \$258,190; and if applied to the infrastructure fund would result in a remaining balance of \$1,241,810.00. Mr. Guevara mentioned there are several other government services during this period were funded by Port funds, which involves leases and utilities to Guam Customs, GEPA, GPD, and GFD. He stated if actual payments were received by these agencies, the amount totals \$1,534,700.00. Mr. Guevara said if this amount is applied toward the infrastructure fund, it would reveal the Port overpaid \$300K to the government of Guam. He mentioned these are just some of the calculations which should be deducted from the infrastructure fund, other assessments include the provision on Port Police; FY2011 is tracking a operating loss; port projects servicing government agencies benefiting the community. Mr. Guevara said a meeting with DOA Director will be arranged upon her return.

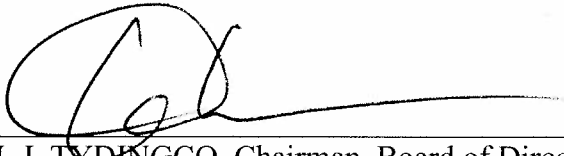
IV. ADJOURNMENT

There being no further business to discuss, it was moved by the Vice Chairman and seconded by Ms. Lujan to adjourn the meeting at 12:25 p.m. The motion was unanimously passed.



JOVYNA S.A. LUJAN, Board Secretary, Board of Directors

APPROVED BY:



DANIEL J. TYDINGCO, Chairman, Board of Directors

