

Minutes of Regular Meeting to the Board of Directors of the
Guam Economic Development Authority
January 23, 2020

Call to Order

- §1. The regular meeting of the Board of Directors of the **Guam Economic Development Authority** (hereafter referred to as "GEDA" or the "Authority") was held on Thursday, January 23, 2020 at 1:30 p.m. at the Guam Economic Development Authority Conference Room, 5th Floor, Suite 511, ITC Building, Tamuning, Guam. The meeting was called to order by Chairman David John to begin discussions of agenda items.

Inifresi

- §2. GEDA Board of Directors and all others in attendance recited to *Inifresi*.

Quorum and Attendance

- §3. **Roll Call.** As determined by the roll call made by Chairman David John, the following individuals were present:

Directors:

David John
Ernesto Espaldon, Jr.
George Chiu
Deepak Dewan
Siska Hutapea

Offices or Positions:

Chairman
Vice Chairman
Director
Director
Director
CEO/Administrator (via phone)
Deputy Administrator
Legal Counsel

Melanie Mendiola
Artemio Hernandez
Georgette Concepcion

Also in attendance were:

Ed Camacho	GEDA
Claire Cruz	GEDA
Christina Garcia	GEDA
Bernice Torres	GEDA
Larry Toves	GEDA
Austin Grant	GEDA
Jha'Aunie Leon Guerrero	GEDA

Approval of Agenda

- §4. The first item considered was approval of the agenda. Vice Chairman Espaldon made a motion to approve the meeting agenda with a change to move Resolution No. 20-04, an item under New Business, to be discussed before Communications and after CEO/Administrator's Remarks. Director Hutapea seconded the motion. The motion was unanimously approved.

Approval of Minutes

- §5. The next item on the agenda was the approval of the board meeting minutes from December 31, 2019. Director Dewan made a motion to approve the December 31, 2019 board meeting minutes. Director Hutapea seconded the motion. The motion was unanimously approved.

Chairman's Remarks

- §6. The next item on the agenda was Chairman's Remarks.

Chairman John thanked the GEDA board and team for all their hard work last year and coming in to the new year. Chairman John noted that it will be a busy month as GEDA works towards different initiatives to stimulate economic development, to include Real Property's leasing build, helping encourage diverse industry with agriculture technology. Vice Chairman Espaldon will also discuss new initiatives regarding Government of Guam finances and also discussions of Qualifying Certificate items.

Secondly, Chairman John recapped on the news about GPA's Bond Rating improvement from BBB- to BBB following an annual review by the agency. GEDA and GPA completed a presentation via teleconference to the rating agency which encouraged our efforts with the Standard Operating Procedures for travel. GEDA is looking at options for sending less staff on travel for bond rating meetings, when needed, to reduce costs. GEDA will also make facility upgrades to improve call-in attendance for additional support with the bond meetings as the last call-in conference was successful.

Next, Chairman John noted that GEDA will continue to focus to streamline the Qualifying Certificate Program after clarification from the Attorney General that GEDA has full control over the QC Program. GEDA will now move forward with two QCs, one for healthcare and the other for captive insurance, and to seek initiatives to drive these markets to relate to modern day landscapes without giving away tax payers' money.

Lastly, Chairman John noted that all of GEDA's board committees remain active and the board and staff will continue to make improvements to these committees to help with economic development.

This concluded the remarks from Chairman David John.



CEO/Administrator's Remarks

- §7. The next item on the agenda was CEO/Administrator's Remarks.

CEO/Administrator Melanie reiterated Chairman John's statements of forward movement with the QC Program since the decision from the Attorney General. Ms. Mendiola thanked the board for their help.

Ms. Mendiola noted that GEDA has been assisting the front office with some initiatives to include the move of several agencies to the Hesler Building. Ms. Mendiola noted that the GEDA committees have been working hard. A testament to this is the availability of fresh produce at DOE and also a loan to the Co-op to help with their store operations. In addition, GEDA supported the UOG Hatchery Project, which was approved in late December. GEDA is now working on a bill to modify the Guam Registered Apprenticeship Program to enhance the benefits for agriculture and aquaculture farmers. GEDA plans to focus on community outreaches to agriculture and aquaculture farmers with regards to economic development.

This concluded the remarks from Ms. Mendiola, CEO/Administrator.

Resolution No. 20-04

- §8. The next item on the agenda was Resolution No. 20-04 relative to extending the construction period for the Tsubaki Hotel for an additional ninety (90) days pursuant to §3.04 of Qualifying Certificate No. 254.

Deputy Administrator Hernandez reported that Resolution No. 20-04 is to allow an extension to QC No. 254 with TNN Guam, Inc. for the Tsubaki Tower. A letter was received from Mr. Osato requesting for an extension of ninety (90) days to the requirement of forty-two (42) months of construction work completion and occupancy with an expectation completion date of March 28, 2020. The letter stated that the circumstances for the delay were out of their control, including construction labor shortages and issues with inclement weather.

Chairman John asked for clarification that this request was specifically for a time extension and did not include any additional benefits. Mr. Hernandez confirmed that the request was for an extension only.

Director Chiu commended PHR Ken Corp. for their unwavering commitment to the tourism industry in Guam. Director Chiu highlighted the construction of the Tsubaki Hotel Project which endured tremendous challenges from the continual change of immigration laws and still managed to stay on track to completion. Director Chiu expressed his support with the request for a ninety (90) day extension.

Director Chiu made a motion to approve Resolution No. 20-04 relative to extending the construction period for the Tsubaki Hotel for an additional ninety (90) days pursuant to §3.04 of

Qualifying Certificate No. 254. Director Hutapea seconded the motion. The motion was unanimously approved.

Communications

§9. The next item on the agenda was Communications.

There was no report for Communications.

Committee Reports

§10. The next item on the agenda was Committee Reports.

Real Property Committee:

Mr. Larry Toves, manager of the Real Property Division, reported for the Real Property Committee.

Mr. Toves reported that Deputy Administrator Hernandez and the Real Property Committee prepared a draft legislation proposing GEDA's exemption from the law that requires Legislative approval for lease terms longer than five (5) years, namely Public Law 32-40 as amended by Public Law 34-99. Once the GEDA board is in agreement with the proposed bill, GEDA staff will move forward with approaching Senator Ridgell to seek his sponsorship for the proposed bill.

No motion was needed for this item. Discussion was then concluded.

Investment Committee:

Vice Chairman Espaldon gave a report for the Investment Committee.

Vice Chairman Espaldon stated that the Investment Committee is ready to take the lead and collaborate with other government agencies for managing various funds and reserves with a goal of an increase investment return of various government funds. Mr. Espaldon noted that GEDA believes there to be an opportunity in scale and with a different asset allocation for various funds and reserves, GEDA will aim for a better rate and an overall increased investment return.

Next, Vice Chairman Espaldon reported that GEDA funds are currently being well managed. Mr. Espaldon feels more GEDA accounts can still be consolidated and leveraged for an additional investment return. Mr. Espaldon reported that GEDA's return for the fourth quarter of 2019 was very strong at 5.9% following 1-2% from the third quarter of 2019. GEDA is very pleased with the overall return for 2019, which was 22.18%. GEDA's overall inception of funds has earned a total of 8.5% annualized. Mr. Espaldon reported that for the year of 2020, We are on the mature side of the business cycle for both the United States and various global economies and no changes of interest rates have been reported as of yet. GEDA's allocation will remain the same, however,



GEDA's investment advisors will continue to monitor and make any needed recommendations if necessary.

This concluded the report for the Investment Committee.

Other Committee Reports:

Chairman John stated that no other reports will be given for the remaining of the committee, although the reports can be found within the board packet binders.

This concluded the discussions for the Committee Reports.

Old Business

§11. The next item on the agenda was Old Business.

Qualifying Certificate Community Contribution Grant Program Update:

Deputy Administrator Hernandez reported on this item.

Deputy Administrator Hernandez reported that GEDA is approximately 90% complete with the evaluations and can soon begin to issue to funds to awardees. Mr. Hernandez stated that GEDA received twenty-eight (28) applications and is nearly complete with evaluating all applications. Mr. Hernandez recapped that Three Hundred Thousand Dollars (\$300,000.00) is available for QCCC Grants and that GEDA has received an estimate of One Million, Five Hundred Thousand Dollars (\$1,500,000.00) in requests. Applications are being evaluated based on a set criteria and evaluators are working diligently on these applications. Deputy Administrator Hernandez stated that GEDA will have an update on the QCCC Grant applications at the next board meeting.

Chairman John requested that GEDA staff and the QCCC Grant evaluation committee provide all award recommendations to the GEDA board of directors for any comments prior to making award. Deputy Administrator Hernandez concurred.

Deputy Administrator Hernandez highlighted that the funding source for the QCCC Grant comes from the GRMC Community Contribution in which GEDA receives One Million Dollars (\$1,000,000.00) per year. Mr. Hernandez stated that this is the first cycle of the fiscal year and that GEDA will launch a second cycle between March and May of this year.

This concluded the report by Deputy Administrator Hernandez for the item under Old Business.

New Business

§12. The next item on the agenda was New Business.

Rules and Regulations on the Use of Video Teleconferencing in Board Meetings – Amendment:

Deputy Administrator Hernandez reported for this agenda item.

Deputy Administrator Hernandez recapped that at the last GEDA board meeting, Chairman John requested minor changes to the Rules and Regulation on the use of video teleconferencing for board meetings to allow the Chairman the discretion in terms of board members interested in using the video teleconferencing option for their attendance for board meetings. A change included that board members who wish to use the video teleconferencing during board meetings are required to submit a notice, which can be sent via email or via text message, one (1) hour prior to the meeting time rather than a twenty-four (24) hour prior notice.

Vice Chairman made a motion to adopt the rules and regulations on the use of video teleconferencing for board meetings as amended on the board meeting notes. The motion was seconded by Director Chiu which was followed by a unanimous approval.

Modification of Qualifying Certificate (QC) 252 – Guam Healthcare Development, Inc. dba Guam Regional Medical Center:

Deputy Administrator Hernandez reported for this agenda item.

Deputy Administrator Hernandez reported that GEDA has been working with Guam Regional Medical Center (GRMC) and the Guam Memorial Hospital (GMH) to transfer some of GRMC's unused assets from the Labor and Delivery Ward (LDW), which was closed in November 28, 2019, to GMH. A timeline of actions taken by GEDA is provided in the board packet. GEDA worked with GRMC to compile a list of available assets which was then inspected by GMH to determine what assets were needed and what assets could be used at GMH's LDW. The depreciated value provided by GRMC to GEDA for these assets was about One Million, One Hundred Thousand Dollars (\$1,100,000.00), of which an estimated Seven Hundred Forty-Two Thousand Dollars (\$742,000.00) of those assets were needed by GMH. The updated depreciated value of GMH's needed assets in December 2019 dropped to a value of about Six Hundred Thirty-Eight Thousand Dollars (\$638,000.00).

Deputy Administrator Hernandez stated that GEDA is proposing an amendment to QC 252 to allow GRMC to offset the Six Hundred Thirty-Eight Thousand, Three Hundred Seventy-Four Dollars and Seventy-Two Cents (\$638,374.72) over a six (6) year period to be allocated as One Hundred Thousand Dollars (\$100,000.00) for the first five (5) years and a final payment of One Hundred Thirty-Eight Thousand, Three Hundred Seventy-Four Dollars and Seventy-Two Cents (\$138,374.72) in the sixth year commencing on January 1, 2021.

Director Chiu raised a question as to whether an amendment to QC 252 is required as the in-kind contribution of assets are part of the QC Community Contribution, thus no changes to the QC are being made. Deputy Administrator Hernandez responded that the QC requires cash for the community contribution, therefore board action is needed to allow GRMC to offset the LDR assets towards their community contribution.



A motion was made by Director Chiu to accept the recommendation by GEDA to accept the LDR assets to offset QC 252 Community Contributions. The motion was seconded by Director Hutapea followed by a unanimous approval.

Memorandum of Agreement between the Department of Administration and the Guam Economic Development Authority:

Deputy Administrator Hernandez reported for this agenda item.

Deputy Administrator Hernandez reported that the Government of Guam via the Department of Administration (DOA) is acquiring with federal funds a leasehold interest for the old Legislative Building on Hesler Place in Hagatna. Mr. Hernandez stated that acquisition of this building will allow office space for several Government of Guam agencies. As such, DOA has requested GEDA's assistance with property management services to include the preparation of lease agreements and/or memorandum of agreements, negotiation of lease arrangements, monitoring lease compliance and preparing periodic reports on leases. Mr. Hernandez stated that GEDA's compensation for these services will be ten percent (10%) of the total collected rent all building leases. Rent collection will be handled by DOA. DOA will also be procuring and entering into contracts and funding all necessary services to run the building.

Director Chiu raised a question as to the amount of rent DOA anticipates to collect for all leases. Deputy Administrator Hernandez responded that DOA anticipates to collect an annual estimate of Six Hundred Thousand Dollars (\$600,000.00), with this being a preliminary amount.

Director Chiu made a motion to approve the Memorandum of Agreement between DOA and GEDA for property management services. The motion was seconded by Vice Chairman Espaldon, which was followed by a unanimous approval.

Resolution No. 20-05 Relative to Setting Recommendation Parameters with regard to the Issuance of Qualifying Certificates to Domestic Health Insurance Companies:

Business and Economic Development Division Manager, Mr. Ed Camacho reported on this agenda item.

Mr. Camacho stated that the QC Committee was working hard on the Domestic Health Insurance Section of the QC to accommodate the potential investments and administration policy. Mr. Camacho stated that the current QC program allows for a twenty (20) year period for one hundred percent (100%) of corporate income tax, dividend tax rebates, and business tax rebates. The new QC program for domestic insurance will only offer an abatement of Business Privilege Tax (BPT) of up to one hundred percent (100%) for up to three (3) years.

Chairman John questioned why a decision of three (3) years was made for the new QC program. Mr. Camacho responded that this decision was made to allow a short period of time to re-evaluate the program to ensure that insurance premiums are being maintained and decreasing for the consumer. A renewal provision will be included in the new QC program.



Discussions continued on this agenda item, which then led to a motion made by Vice Chairman Espaldon to table this agenda item. The motion was seconded by Director Hutapea. A unanimous approval of the motion followed.

Executive Session:

Director Hutapea made a motion for the board of directors to move in to an Executive Session. Director Dewan seconded the motion, which was followed by a unanimous approval.

Following the Executive Session, a motion was made by Director Chiu to resume the remaining board agenda items. The motion was seconded by Vice Chairman Espaldon. A unanimous approval followed.

Resolution No. 20-06 Relative to Setting Recommendation Parameters with regard to the Issuance of Qualifying Certificates to Captive Insurance Companies:

Business and Economic Development Division Manager, Mr. Ed Camacho reported on this agenda item.

Mr. Camacho reported that the intent of the draft resolution is to entice small companies to self-insure and take advantage of the Captive Insurance Program. The program allows only a rebate of one hundred percent (100%) of corporate income taxes for a period of three (3) years from insurance underwriting with an option to renew for another three (3) years. A Community Contribution Public Investment for five percent (5%) of the annual premiums, with a minimum fee of Two Thousand Five Hundred Dollars (\$2,500.00) and a maximum fee of Fifty Thousand Dollars (\$50,000.00).

Discussions followed after Mr. Camacho's report. Vice Chairman Espaldon then moved to adopt Resolution 20-06 relative to setting the recommended parameters in regards to issuing Qualifying Certificates to Captive Insurance Companies. Director Dewan seconded the motion. The motion passed with a unanimous approval.

Executive Session:

After the board of directors concluded their Executive Session, Director Chiu made a motion to write-off the debt on the G DFA Loan 008-11 in the amount of Two Thousand Forty-Two Dollars and Ninety-Nine cents in addition to all pending legal fees. Director Hutapea seconded the motion. The motion was unanimously approved.

Public Comments

§13. The next item on the agenda was Public Comments.



No public comments were made.

Adjournment

§14. Director George Chiu made a motion to adjourn the board of director's meeting at 2:42 p.m. Vice Chairman Espaldon seconded the motion. The motion was unanimously approved.



DAVID JOHN, Chairman
Board of Directors

ATTEST:



GIA RAMOS, Secretary
Board of Directors