

CITIZEN CENTRIC REPORT

FISCAL YEAR 2020
(OCTOBER 2019 - SEPTEMBER 2020)

ABOUT GEDA

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GEDA MISSION

The mission of the Guam Economic Development Authority, *Aturidat Inadilanton Ikunumihan Guahan* (GEDA), is to develop a sound and sustainable economy through innovative programs that preserve and promote economic opportunities, local culture, and quality of life.

BOARD OF DIRECTORS

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Do you have any suggestions on how we can improve our reporting? Please contact **Melanie Mendiola** at (671) 647-4332 or via email at mel.mendiola@investguam.com



ABOUT US

Founded in 1965, the Guam Economic Development Authority (GEDA) is a public not for profit corporation (12GCA Chapter 50) that has broad responsibility for the centralized direction, control and supervision of an integrated plan for the economic development of Guam through its programs and offerings, which include public finance services, business and investments assistance, incentive programs, and real property management.

Fiscal Year 2020 (FY2020) was a year of tremendous economic challenges in both the global and local economy. As the COVID-19 pandemic gutted our tourism economy, the island's fragility and dependence on few industries became apparent. We overcame challenges and became a focal point for small business assistance while maintaining a high level of productivity within the confines of the COVID-19 work environments.

CORE PRIORITIES

PANDEMIC RESPONSE AND RECOVERY

Mobilize resources to become "fiscal" first responders to the global pandemic by providing a range of services for small businesses to respond and recover from the effects of the pandemic.

INDUSTRY & WORKFORCE DEVELOPMENT

Advance the economic health of the island with the development of emerging industries and the expansion of existing industries, to include investment opportunities, tax incentives, workforce development, and local entrepreneurship opportunities.

COMPLIANCE MONITORING FOR TAX PROGRAMS

Ensure compliance with terms outlined in contracts to avail of tax benefits with the Department of Revenue and Taxation.

COMMERCIAL LOAN PROGRAMS

Provide financial assistance opportunities as a lender of last resort to create, expand, and promote workforce and economic development.

GOVERNMENT REAL PROPERTY MANAGEMENT

Support the local economy by providing leasing and/or development opportunities on public-owned properties.

CENTRAL FINANCIAL MANAGEMENT

Address the financial needs stemming from capital improvement or liquidity management of various Government agencies or the Government of Guam in its entirety.



MELANIE MENDIOLA
Chief Executive Officer/Administrator
Ge'hello' Ekseketibu Ofisiát



JOANN GARCIA CAMACHO
Deputy Administrator
Sigundon Atmenestradora

FISCAL YEAR 2020 (FY2020)

SELECT DEMOGRAPHICS

\$17M

total amount of Coronavirus Aid, Relief, and Economic Security (CARES) Act funding disbursed through the Guam Small Business Pandemic Assistance Grant (GSBPAG) to 2,351 small business.

\$13M

bond refunding debt service savings; a 100% increase from FY2019.

\$2.3M

total amount of federal grant funding administered by GEDA through the Grants Management Capacity Building and Enhanced Grant Management, the Financial Impact Assessment Study, the State Trade Expansion Program (STEP), and the Boat Ramp Feasibility Study and Design.

\$299,871

total amount of Series 2 Qualifying Certificate Community Contributions (QCCC) grants disbursed to 49 awardees; a 2% decrease from FY2019.

ABOUT GEDA

UPDATES

FINANCES

OUTLOOK



Social Media was used to keep the public updated with agency operations during the Stay-At-Home Order.



GEDA staff attended the Guam Women's Chamber of Commerce's Fanachu Famalao'an, or Women Rising, an annual empowerment conference sponsored in part by GEDA.



Agency Board of Director Meetings shifted to online platforms when the Stay-At-Home Order came into effect and through the remainder of the fiscal year.



GEDA CEO/Administrator, Melanie Mendiola participated as a panelist for the Guam Community College WORC conference, for a comprehensive free virtual conference designed to help shape Guam's new workforce.

GUAM SMALL BUSINESS PANDEMIC ASSISTANCE GRANT (GSBPAG)

Pursuant to Executive Order 2020-18, GEDA launched the GSBPAG program funded by the Coronavirus Aid, Relief and Economic Security (CARES) Act. Since its launch, GEDA has processed 2,351 grant applications totaling \$17 million in grant awards.

\$37.0 MILLION GUAM A.B. WON PAT INTERNATIONAL AIRPORT AUTHORITY (GIAA) 2019 BONDS (NOV 2019)

GIAA successfully sold \$37.0 million in refunding bonds resulting in debt service savings of approximately 2.5% or \$1 million, and a final interest rate of 3.4% for the 5-year bonds. The successful refunding resulted in cash flow relief of \$18.4 million in fiscal years 2020 and 2021.

GOVERNMENT REAL PROPERTY MANAGEMENT

GEDA engaged in a management Memorandum of Understanding (MOU) with the Guam Ancestral Lands Commission (GALC), to manage leases on the Spanish Crown properties. Between October 2007 and September 2020, GEDA collected over \$12.2 million. The jump in revenue included the AT&T lease of property for a cable landing station. A new lease was successfully negotiated as well as recovered back rent owed of over \$4.8 Million. Overall, Industrial Parks along with GEDA's share of GALC leases revenues generate approximately \$1.4 million of the Authority's operating revenues.

GEDA engaged in a management Memorandum of Understanding (MOU) with the Chamorro Land Trust Commission (CLTC), for general consultancy and property management services for commercial land leases.

GEDA has been authorized to solicit proposals for prime locations for the CLTC and land in the Andersen South area of Yigo for the GALC.

QUALIFYING CERTIFICATE (QC) PROGRAM

GEDA Board Resolution 20-03 extended the Special Hotel QC Program application period to December 31, 2021.

Additionally, the GEDA Board processed and recommended approval of the Guam Brewery Corporation's QC application.

\$134.0 MILLION GUAM WATERWORKS AUTHORITY (GWA) REVENUE BONDS (JUNE 2020)

GWA successfully sold \$134.0 million in revenue bonds with a 30-year maturity. With the investor strong demand, the all in true interest cost was lowered by 40 basis points from 4.96% to 4.59% and a deposit increase of \$10.0 million into the construction fund of \$124 million.

US OFFICE OF ECONOMIC ADJUSTMENT (OEA) PROJECTS

GEDA spearheaded projects funded by OEA through the Office of the Governor. The Grants Management Capacity Building and Enhanced Grant Management, and a comprehensive update to the Financial Impact Assessment Study. Although COVID-19 delayed the initial project timelines; the Grants Management training was redesigned into a virtual format with the first pilot successfully completed in January 2021, and the FIAS nears completion for review by the Administration's Fiscal Team.

BOAT RAMP FEASIBILITY STUDY AND DESIGN

GEDA was awarded a \$260,000 grant from the U.S. Department of Interior (DOI) to conduct a Boat Ramp Feasibility Study and Design to determine the most feasible locations to better provide emergency response to the Eastern seaboard of Guam. The feasibility study along with a 30% design for a proposed boat ramp was completed however; due to COVID-19, this project timeline has been extended.

STATE TRADE EXPANSION PROGRAM (STEP)

GEDA was awarded a \$150,000 grant from the U.S. Small Business Administration (SBA) to develop a comprehensive export development program. Due to COVID-19, SBA extended the grant period to September 2021 and adjusted the program strategy to accommodate the restrictions resulting from the pandemic. The budget modification approved the shift from an international trade show to supporting e-commerce efforts, international marketing media design, and a virtual reverse trade mission.

\$166.1 MILLION GUAM WATERWORKS AUTHORITY (GWA) REVENUE REFUNDING BONDS (AUGUST 2020)

GWA successfully sold \$166.1 million in revenue refunding bonds with a 23-year maturity to refund a portion of the GWA Revenue Bonds Series 2013 for debt service savings. The GWA team was able to take advantage of the favorable market conditions and secure \$12 million in savings. The bond achieved a final all in true interest rate of 3.70%.

GEDA LOAN PROGRAMS

AGRICULTURE DEVELOPMENT FUND

FY2019
\$50,000
1 AWARD

FY2020
\$25,000
1 AWARD

GUAM DEVELOPMENT FUND ACT

FY2019
\$50,000
1 AWARD

FY2020
\$325,000
7 AWARDS

STATE SMALL BUSINESS CREDIT INITIATIVE (LOAN GUARANTEE)

FY2019
\$100,000
1 AWARD

FY2020
\$1,700,000
8 AWARDS

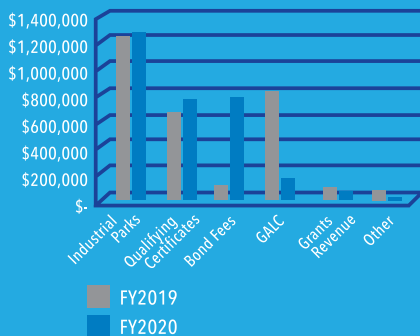
BOND RATINGS

GovGuam Series 2019 GO Bonds	BB-	Ba1	---
Limited Obligation (Section 30) Bonds Series 2016A	BB	---	---
Hotel Occupancy Tax Revenue Bonds Series 2011A	BB	---	---
Business Privilege Tax Bonds Series 2011A, 2012B-1 & B-2, 2015C	BB	---	---
GIAA Revenue Bonds, Series 2013 and 2019	BB+	Baa2	---
GPA Revenue Bonds, Series 2012, 2014, and 2017	BBB	Baa2	BBB
GWA Water & Wastewater System Bonds, Series 2013, 2014, 2016, 2017, 2020	A-	Baa2	BBB
Port Authority of Guam Port Revenue Bonds, Series 2018	A	Baa2	---
JFK High School Project Certificates of Participation 2010A	B+	Ba2	---
GEFF Certificate of Participation 2016A/B	B+	---	---
The Industrial Development Authority of the City of Arizona	B+	Ba1	---

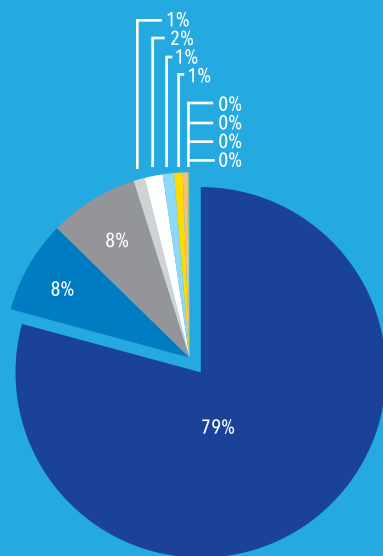
S&P	MOODY'S	FITCH
BB-	Ba1	---
BB	---	---
BB	---	---
BB	---	---
BB+	Baa2	---
BBB	Baa2	BBB
A-	Baa2	BBB
A	Baa2	---
B+	Ba2	---
B+	---	---
B+	Ba1	---

ABOUT GEDA UPDATES FINANCES OUTLOOK

GEDA GENERAL REVENUE BY SOURCE



GEDA GENERAL EXPENSES BY CATEGORY



An independent audit was conducted, resulting in a clean audit opinion. Complete financial information is available at our website: www.investguam.com

GEDA GENERAL REVENUE BY SOURCE	FY2019	FY2020	% CHANGE
Industrial Parks	\$ 1,224,867	\$ 1,243,208	1.50%
Qualifying Certificate	\$ 646,596	\$ 740,984	14.60%
Bond Fees ¹	\$ 88,440	\$ 751,722	749.98%
Guam Ancestral Lands Commission ²	\$ 810,847	\$ 153,069	-81.12%
Grants Revenue (Administrative Costs) ³	\$ 80,638	\$ 60,733	-24.68%
Other ⁴	\$ 59,309	\$ -	-100.00%

SIGNIFICANT CHANGES - EXPLANATIONS

- 749.98% change // Bonds Fees: Greater bond volume in FY2020
- 81.12% change // Guam Ancestral Lands Commission received AT&T backrent payment in FY2019 for the periods of 2010-2019. This amount was recognized as an anomaly, which contributed to a significant decrease in GALC lease revenues for FY2020.
- 24.68% change // Grants Revenue: EDA Grant expired in FY2019
- 100.00% change // No other revenue collected

GEDA GENERAL EXPENSES BY CATEGORY	FY2019	FY2020	% CHANGE
Salaries & Benefits	\$ 2,155,968	\$ 2,251,736	4.44%
Legal & Professional Services ¹	\$ 280,230	\$ 230,450	-17.76%
Office Space & Equipment Rental	\$ 222,880	\$ 221,985	-0.40%
Travel ²	\$ 71,542	\$ 27,853	-61.02%
Miscellaneous	\$ 48,531	\$ 44,802	-7.68%
Depreciation & Amortization ³	\$ 35,383	\$ 27,881	-21.20%
Advertising & Promotions ⁴	\$ 5,731	\$ 21,286	271.42%
Supplies ⁵	\$ 5,490	\$ 10,844	97.52%
Utilities, Telephone & Communications	\$ 2,780	\$ 3,126	12.45%
Insurance ⁶	\$ 1,985	\$ 2,611	31.54%
Repairs & Maintenance ⁷	\$ 564	\$ 192	-65.96%

SIGNIFICANT CHANGES - EXPLANATIONS

- 17.76% change // 1 Professional Services contract expired & not renewed
- 61.02% // Reduction in travel due to the COVID-19 pandemic
- 21.20% change // Fully depreciated some assets in FY2020
- 271.42% change // Increase in advertising and promotions for small business programs
- 97.52% change // Increase caused by supplies purchased for GSBPA grants, COVID-19 related PPE, hand sanitizers
- 35.54% change // Lease for vehicle converted to ownership, which caused increase in insurance
- 65.96% change // Repairs for vehicle made in FY2019

SALARIES AND BENEFITS	FY2019	FY2020	% CHANGE
Regular Salary ¹	\$ 1,434,006	\$ 1,579,187	10.12%
Employee Benefit - Retirement	\$ 394,006	\$ 418,851	6.31%
Employee Benefit - FICA	\$ 22,290	\$ 22,499	0.94%
Health Benefits	\$ 174,043	\$ 94,462	-45.72%
Life Insurance Benefits	\$ 4,323	\$ 4,612	6.67%
Retiree-Supplemental/Health Benefits	\$ 113,072	\$ 132,124	16.85%
Pension/OPEB	\$ 14,229	\$ (135,446)	-1051.90%

SIGNIFICANT CHANGES - EXPLANATIONS

- Salary increase relates to two additional employees in 2020 and retirement payout for one employee.

ABOUT GEDA UPDATES FINANCES OUTLOOK

CHALLENGES/ISSUES

UNFUNDED LEGISLATIVE MANDATES *-Continuous*

GEDA has been mandated by the I Liheslaturan Guahan to perform duties that are not financially supported. These mandates, while in line with GEDA's mission, impose a financial burden to the agency. Unlike the line agencies, GEDA is not supported by Legislative appropriations. All expenses incurred by GEDA to meet the unfunded mandates must come out of the agency's finite operating revenues.

LAND AVAILABILITY/LOSS *-Continuous*

Property leases are the primary funding source of GEDA's operations, with the majority of commercial leases negotiated in the 70's and 80's and are locked until 2065. The revenue generated is less able to sustain GEDA. GEDA has entered into two Memorandums of Understanding with the Guam Ancestral Land Commission and the Chamorro Land Trust Commission to act as their land agent. The productivity of these arrangements are a function of the appetite of the board to undertake economic development driven leasing activities, the parameters of government leasing under the 5 year law, and the strategic direction of various leader/stakeholders including the oversight chair of land and the Office of the Governor.

ONGOING AND POTENTIAL LAW SUITS

GEDA is currently engaged in a potentially \$2M lawsuit with contractor Inland Builders Corporation relative to work performed on the Guam Museum. GEDA anticipates another potential \$400K lawsuit with contractor Mega United Corporation relative to work performed on the Farmer's Cooperative Association of Guam facility.

VOLATILITY IN THE MUNICIPAL MARKET

The Government of Guam has been fortunate to be in a time of historically low interest rates, prompting the refinancing of government debt for savings. In the event the municipal markets experience volatility, it may become less prudent to press forward with new or refunded issuances of public debt. Additionally, an overall increase in interest rates may erode savings or slow down capital projects which GEDA supports for the Government of Guam.

FY2021 INITIATIVES

INCREASED FUNDING THROUGH FEDERAL GRANTS

GEDA has multiple grant applications in the preliminary consideration stage of the grant process that, if awarded, would allow for new and revised strategic development projects to reflect current economic conditions and the impact of COVID-19.

QUALIFYING CERTIFICATE *- Continuous*

Qualifying Certificate (QC) Ad Hoc Committee will continue to enhance, modernize, and evaluate the QC program to aid in the development of key industries.

CARES ACT GRANTS

In FY2021, GEDA implemented two additional grant programs, both at the direction from the Office of the Governor; the Healthcare System Stabilization (HSS) Grant Program and the Small Business Rent Assistance Grant (RAG) program. A total of 427 applications were processed totaling \$4.3 million.

INDUSTRY DEVELOPMENT / GOVERNOR'S ECONOMIC DIVERSIFICATION GROUP

GEDA is taking a leadership role in the Governor's Economic Diversification Group. The public-private partnership is tasked with implementing programs that will expand Guam's economic base beyond existing industries.

ECONOMIC DEVELOPMENT TRADE MISSIONS

GEDA will continue to monitor COVID-19 to determine when to undertake trade missions to market Guam's economic opportunities.

SMALL BUSINESS DEVELOPMENT PROJECTS

GEDA will continue to research and develop small business assistance programs aimed to diversify Guam's economy and provide opportunities for local entrepreneurs, in particular, workers who have been displaced due to COVID-19's impact on local businesses.

STATE EXPORT AND EXPANSION PROGRAM (STEP) GRANT

GEDA obtained approval for a budget modification to provide training opportunities and direct financial assistance to eligible local small businesses that also focuses on developing ecommerce services including generating export sales, as COVID-19 has eliminated any prospects of traveling to an international trade show.

\$65.4 MILLION SERIES 2020 CERTIFICATES OF PARTICIPATION REFUNDING (OCTOBER 2020)

The Government of Guam, along with current Leaseholder CAPFA Capital Corp., was successful in refunding the Series 2010 Certificates of Participation (John F. Kennedy High School Project) and securing an additional \$9 Million to finance Solar and associated energy improvement projects for the school.

The government achieved a net present value savings of \$7.9 Million, All in True Interest Cost (TIC) of 5.18%, and cash flow relief of about \$3 Million for Fiscal Year 2021 for this 20 year bond. The fiscal year 2021 savings of approximately \$3 Million will be used immediately to fund the budget shortfall of the Guam Department of Education (GDOE).

2011 HOTEL OCCUPANCY TAX (HOT) BOND REFUNDING

Public Law 35-127 authorized the refund of outstanding HOT Bonds issued in 2011. GEDA plans to issue approximately \$61 million in refunding bonds with a 20-year term with estimated present value savings, beginning in FY2021, of an estimated \$18.1 million or 28.2%.

A.B. WON PAT GUAM AIRPORT (GIAA) BOND REFUNDING AND RESTRUCTURING

Public Law 35-137 authorized the refinancing of existing bonds for savings. Based on various financing structures we have tested, GEDA believes that a potentially successful scenario exists in which savings is maximized over the next two (2) fiscal years and GIAA will be able to reduce debt service to accommodate reduced revenues associated with the COVID-19 pandemic. If the GIAA is given the flexibility to refund and restructure its outstanding bonds, it could time its entry into the market and achieve net present value saving estimated around \$7.0 million or an approximately 6% savings ratio. This assumes no extension of the current maturity and achieving the standard minimum refunding savings of at least 2%.

\$6.5M PROPOSED MULTIPURPOSE RECREATION/EMERGENCY CENTER

The proposed project's objective is to construct a 30,000 square feet Multi-Purpose Recreation Center/Emergency Center in the district/village of Chalan Pago-Ordot. Estimated total project cost is \$6.5 million. Anticipated project Federal funding is \$3.5 million and local funding is \$3.0 million.

BUSINESS PRIVILEGE TAX (BPT) REFUNDING BONDS

Through Public Law 36-91 the government will be refinancing the current outstanding BPT bonds for savings. The 2011A BPT Bonds and the 2012B BPT Bonds have a current call date of January 1, 2022, with the earliest date for a current refunding of October 3, 2021. With the improvement we have seen in the markets recently, we have found that there exist an opportunity to achieve over \$50 million in debt service savings and accelerate this savings into FY2021.

SIMON SANCHEZ HIGH SCHOOL LEASEBACK FINANCING

Public Law 31-229, 32-120 and 32-121 authorized the financing for the rehabilitation, construction, expansion and renovation of the Simon Sanchez High School and the other thirty-four (34) public school facilities as well as to provide collateral equipment, maintenance and insurance.

SMALL BUSINESS LOANS (TEAM 2)

In FY2021, the existing TEAM Loan Program was amended to assist small businesses during this COVID-19 pandemic recovery period that will allow for interest only payments for one year and then term loan for 7 years. Major requirements include submission of 3 year business projections and submission of one bank denial to name a few.



Do you have any suggestions on how we can improve our reporting? Please contact **Melanie Mendiola** at (671) 647-4332 or via email at mel.mendiola@investguam.com