

**Minutes of Regular Meeting to the Board of Directors of the
Guam Economic Development Authority
April 21, 2022**

Call to Order

- § 1. The regular meeting of the Board of Directors of the Guam Economic Development Authority was held on Thursday, April 21, 2022 at the hour of 1:33 p.m., at the GEDA conference room, Suite 511, ITC Building, Tamuning, Guam. The meeting was called to order by Chairman David John to consider items on the Agenda.

Inifresi

- § 2. GEDA Board of Directors and all others in attendance recited the *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 J. John
Ernesto V. Espaldon, Jr.
Siska Hutapea
Fe Valencia-Ovalles
Andrew Park
Melanie Mendiola
Terrence M. Brooks

Office or Position:

Chairman
Vice Chairman
Secretary
Director (via teleconference)
Director
CEO/Administrator
Legal Counsel

Also, in attendance were:

Cedrick Castillon	GEDA
Diego Mendiola	GEDA
Ariana Villaverde	GEDA
Ed Camacho	GEDA
Claire Cruz	GEDA
Yong Pak	GEDA
Melvin Tabilas	GEDA
Tina Garcia	GEDA
Rizalito Paglingayen	Ernst and Young, LLP
Rahne Belmio	Ernst and Young, LLP
Jim Whitt	Ernst and Young, LLP

Approval of Agenda

- § 4. Director David J. John requested a motion to approve the agenda and suggested moving up the Auditor's introduction to after the CEO's Remarks. Vice Chairman Ernesto V. Espaldon, Jr. made a motion to approve the updated agenda. The motion was seconded by Secretary Siska Hutapea. The Directors then voted, and the motion was unanimously passed.

Approval of Minutes

- § 5. Secretary Siska Hutapea moved, seconded by Director Andrew Park to approve the March 17, 2022, board meeting minutes. The Directors then voted, and the motion was unanimously passed.

Chairman Remarks

- § 6. Chairman David John reported the following.
- a. Chairman John was particularly interested in hearing about the latest update on the Leap Program. Last month, GEDA distributed about \$27.5 million and looks forward to hearing what's next. Distributions ran over \$50 million.
 - b. Since the last board meeting, GEDA also launched their first series of Childcare Industry Programs. This week, we launched a grant for commercial farmers, which Administrator Melanie Mendiola will share more on in her remarks.
 - c. GEDA has also recently seen the passage of the Bipartisan Infrastructure Bill, which will provide money to Guam primarily via utilities and DPW. The team is looking at how the new monies may either align with our existing economic diversification strategies or be offset any existing budgets or grant requests, which will then freeze up money for other programs. For example, the Aquacultural Group sees great value in the center for the research and innovation, but many of our near shore spots are without infrastructure.
 - d. The team recently completed the financing of the Guam Power Authority (GPA), refinancing. This will free up cash for GPA by as much as Ten Million Dollars (\$10,000,000.00), which they can use to get their LNG Plant online and on schedule.
 - e. The Guam International Airport Authority is engaging with our municipal advisor to look at options with regards to financing the 2013 Bonds through a forward delivery refunding. Refunding for bonds held less than 10 years would normally be taxable, but with the forward delivery, we essentially pay for the contracts to lock in the rate and settle at a later date, when the bonds are eligible for tax exempt status. The team and advisors are writing the numbers, you may hear more about this in our main meeting.



- f. Board discussions today will center around our Audit, as well as our new QC grants for the community.

CEO's/Administrator's Remarks

§ 7. Administrator Melanie Mendiola reported the following:

- a. All GEDA divisions have been incredibly busy this last month. We have been starting, maintaining and closing out projects. Governor Leon Guerrero has tasked us with carrying out, Prugrãman i Pinilan, an aggressive program to build the childcare industry. We rolled out two components of the program, an expanded voucher program, wherein many more families can receive subsidize care. And an employer program, wherein employers can welcome the team to provide information on programs, such as the voucher program, and run all the documents through their HR, similar to 401k's or health insurances or other benefits meetings.
- b. The next program is to stimulate the work force, the childcare work force through multiple bootcamps and on the job apprenticeship programs, all funded through the same source. We are continuing to work with the Leap Program. We also launched a program for commercial farmers to provide up to Fifteen Thousand Dollars (\$15,000.00) in assistance for business interruptions due to the pandemic. This was authorized under the same Executive Order wherein the Governor set aside money for the economic diversification initiatives.
- c. A number of projects are also wrapping up, including the Medical Action Plan, an update of 2013 study commissioned by the Legislature and updated through a grant by the office of Economic Adjustment awarded to the office of the Governor. As you may be aware, we had hospital consultants on the island late last year, who are assessing the current needs of our hospitals and our evolving healthcare system, both on the Government, Federal and Private sectors.
- d. The Comprehensive Economic Development Strategy (CEDS) update is almost done. We anticipate submission by the end of the month, which is our original deadline. Over 109 projects were submitted by over 20 community groups and government agencies. & We are really pleased with the community engagement, and we held 3 or 4 stakeholder meetings for this project and putting this together. Administrator Mendiola thanked the project manager, Tria Paulino for her hard work on this.
- e. Going straight to the Audit, the tradition started last month, to read an excerpt from the minutes of the April 1972 meeting, 50 years ago, when the board was Chaired by Jesus S.L. Leon Guerrero, father of Governor Lou Leon Guerrero. "The discourse had to do with how to decide, defining investments, because the discussion was, in putting together a hotel qualifying certificate, is the investment considered the capital paid in and funded debt? Another person said if the



applicant put in \$500,000 in cash, \$100,000 in land, and borrowed \$500,000, the investment should total all of those. The Chairman, after much discourse and deliberation, because some board members felt that businesses would overstate their investment, and thus get higher tax incentives. The Chairman offered a solution, that in preparing the QC, the applicant should be asked to give GEDA the investment figure. If it was a reasonable capital investment, then GEDA would request their adjusted financial statement at that point to show the actual capital investment and use that figure and then verify that figure with their documentation at DRT.” That is what was decided to be done, which Administrator Mendiola thought was a very wise decision.

- f. Another excerpt is, “do we want to give 75% rebate over 10 years or a 50% rebate over 20 years? The longer they have the better because the longer you have to be profitable, the better off you will be. Another board member said, a new business would surely want to capture the bulk of their investment early on. The board did not decide on that course, they decided on the 20-year course, which is interesting because then that came full circle, with the special hotel QC, which was adopted in the last 10 years, which shortened the duration and had you capturing the qualifying certificate benefits in a shorter time frame. It took 50 years to get that to happen. Eventually the boards find out what truly makes sense.” All located in our board meeting.

Audit

- § 8. Director John called for Jim Whitt and his team to introduce themselves and to talk about the Audit. Jim and senior manager, Rizalito Paglingayen (RJ), and Rahne Belmio are present to answer any questions the board may have regarding the results of the fiscal year 2021 Audit. Director asked if there were any questions for the team.
 - a. Administrator Mendiola stated highlights to guide the board, that GEDA is now in its 18th year of a clean audit. In addition, Administrator Mendiola noted that there is a new manager for the Administrative Services Division, Ariana Villaverde. Administrator Mendiola stated she was a little nervous, Director John was not. The nervousness was clearly unfounded because we came out of this with a clean audit.
 - b. Some of the differences you will note are under grants expense. They are now classifying our QCC, our grant program, this has been restated as grants expense. The qualifying certificate community contributions that come in are being classified as income under revenue. Under grant expense, Administrator Mendiola was thinking the grants we run, but of note, all of the federal grants that we run, such as the Pandemic Assistance Grant (PAG), Rent Assistance Grant, Childcare Grant, GEDA is a facilitator of these grants. We do not actually directly cut checks under the Leap Program to clients, we are like a vendor, that provides the administration of it, then the checks get cut by the Department of Administration, so that is not what is reflected in the financials.

- c. There are also some changes both on the revenue side, as well as the expense side which is consistent with the rest of the Government of Guam. The biggest contribution to our income has been the robust performance of the markets under the direction of our Investment Committee, and the Chairmanship of the Vice Chairman Espaldon, which has certainly helped to boost our income as well. Overall, we had a good year. We had an increase in income, and a corresponding increase in expenses. For the most part, the theme for this year is really consistency across the board, with all of our different funding areas.
- d. Administrator Mendiola advised of one comment by our Auditors, which had to do with how we classify a federal grant. GEDA was not particularly active or aggressive about going after federal grants until recent years. These are for programs, like the Aquaculture Program, the Step Program, etc., and there were comments on how we should be classifying expenses and income in conformance with recently adopted audit rules. Ariana and the team are putting together policies and procedures that are consistent with the new rule, so that we may capture the revenue and expenses properly in the future. Director John asked if everyone was comfortable, that this is new to us, and asked for any recommendations. Administrator Mendiola replied stating that this year was the first time being evaluated on accounts that GEDA holds as a fiduciary.
- e. Director Andrew Park reported that with regards to the responsibilities under new rule, previously the trust funds administered by GEDA were treated on separate financial statements related to the Agricultural Development and GDFA. Under the new rule, management has assessed sources of those and the purpose for it and classified at least as GDFA as part of GEDA's purpose and therefore was included as part of the financial statements. Director Park stated this is the other significant change you see on the financial statements. He advised the question is who has the administrative responsibility with regards to the monies. There is a shared treat with management in order for them to make that assessment and on our side, we audited the judgments that came accordingly. That's also the change in the treatment of the qualifying certificate under management and its assessment to determine whether or not these are the activities of GEDA, which should be presented as part of the primary government financials, also should be presented as a fiduciary activity. Director John asked if there were any questions for the team.
- f. Administrator Mendiola suggested to move forward with a motion to accept fiscal 2021 audit. Vice Chairman Espaldon made a motion to move to accept 2021 fiscal audit at GEDA. Director Park seconded the motion. The Directors then voted, and the motion was unanimously passed.



Committee and Standing Reports

- § 9. Administrator Mendiola informed that the committee reports are all pretty self-explanatory. Chairman of the Investment Committee commented on one of the listed Committee and Standing Reports.
- a. Chairman of the Investment Committee, Director Espaldon, met with both of our financial advisors in February and as well the first quarter and to refresh our board through an RFP, GEDA engaged a second financial advisor, Raymond James, in addition to our current advisor, BGIS, combined performance of our portfolio and both firms returned to negative 4.4% for the first quarter, largely due to geopolitical tensions and inflationary pressures in the rising fed rates. For reference, relevant indexes were negative as well, including the S&P finishing at minus 4.6% and the Bloomberg Aggregate Bond Index returning at minus 6.23%. The advisors feel that volatility as we all expect, we will continue to persist in months to come, due to the same factors, however GDP is still scheduled to be positive until years end, jobs are plentiful, consumer spending is up. Our leisure discretionary travel is expected to increase as restrictions ease. Because of this most economists, including Raymond James, see S&P finishing higher by years end, but very clearly gains if any may be more modest, compared to 2020 and 2021. A few more details are included in the investment committee report in your packages, including a breakdown of performance by advisor.
 - b. Administrator Mendiola and Director Siska Hutapea wanted to discuss economic diversification working group. There has been some discussion that the Governor had suggested that we look at holding an industry type of event, wherein we promote specific selected industries. Administrator Mendiola and Director Hutapea discussed that at the next economic working group meeting to get together with the different subcommittees and decide how can we put our best face forward in an industry conference. If we were to invite investors to attend, what types of projects we would like them to see, what type of information we would like to share specific to our selected industries, like the Governor's agriculture and aquaculture, her vision in those areas, as well as technology, pharmaceutical manufacturing, captive insurance. We were contemplating October, but we do have to run the dates by the team, and as well as the Governor because that is the busiest time of the year. Director Hutapea stated that on the internal side of the group, we have not really met in person for a while, so it would be good to get together and assess where we were and streamline the committees, if needed be, to work together in person and have a gathering of some sort.
 - c. Director John commented that one of the things on the qualifying certificate, with COVID having the affected on a lot of our QC holders, they really have not benefitted from the QC in the last 2 to 3 years, we have not been making any money. Director John stated he consulted with legal counsel before the meeting for guidance, to see if we could extend the QC's out 2 to 3 years. He was informed that it would be difficult



because the law creating QC's limited them to a duration of 20 years. Director John addressed a question for the board, if we have an appetite to approach the legislature and ask them to grant the applicants who have been hurt, to essentially give them an extra 3 years at the backside. We would have to ask the legislature, they could say no, they could say yes. Director Hutapea stated she is for it. Ed Camacho acknowledged he is too.

- d. Claire Cruz had shared a story and advised to retrieve the Governor's approval regarding the request before approaching the Legislature. Ms. Cruz also suggested to allow compliance to individually contact them and take the steps to cover all bases.

Old Business

§ 10. The American Rescue Plan (ARP) Funded Grant Updates were reported by Administrator Melanie Mendiola.

- a. **Local Employers' Assistance Program. LEAP.** For the LEAP Program, GEDA currently has 1,260 applications logged and issued, 955 that redeemed eligible and of that, 725 was transmitted to DOA totaling \$42.3 million. We will probably transmit another \$6 million. 41 applications totaling \$6 million tomorrow and another 5 million next week, which will get us to about \$52M. The Governor has approved an additional \$5 million Our approach is that we will be working with the office of the Governor to identify the remaining applicants that need to be funded. The Governor asked her team, the fiscal team to do a relook at all our different fundings that are done through ARP or fundings set aside under ARP to get an update across the board, because there may be changes that may have been funded from other sources, projects that came in under budgets. The Governor is going to do her best to try to find us some additional funding. She is happy to help us to do that, to help these businesses out. Director John asked if we want to reach out to the Legislature with this as well, to see if they might match some of it, which they were doing 50% going in. Administrator Mendiola stated she thinks it is worth discussion with some of our lawmakers. She also stated that we have been communicating with our recipients. As clients, they can also go online and see the status of their application and they can speak to us.
- b. **Growth Accelerator Program. GAP.** Administrator Mendiola informed that this is the incubator program. As reported at the last boarding meeting, we did have 1 company respond to our notice of funds availability and we are working through a MOU with them.
- c. **Commercial Farmers Grant.** Administrator Mendiola informed that this was launched this week in conjunction with the Guam Farmers Co-op Association of Guam. Farmers are going to apply for the grant, turning in their documentation to the Farmers Co-op, where they are helping us administer this program. A farmer must sell a minimum of \$10,000 worth of produce over the course of any of the last 3 years to be eligible for the program. It is targeting commercial farmers as



opposed to subsistence, hobbyist, etc.

- d. **Childcare Assistance Program 2022.** This is an ambitious program. We launched 2 components of the program, which are the Voucher Program and the Employers Program. The next one is the Work Force Development Program that we are working through with the Guam Community College (GCC). We do believe the Work Force Development Program for childcare will be able to put an additional 100 persons in employment in childcare. Basically, we are working with GCC and the daycares and the childcare providers and what will happen is they will get their tuition paid for and then they will be able to get on the job training and the daycare will pay them. Our hope is that the daycare will keep them and permanentize into their organizations. Administrator Mendiola acknowledge that there is communication all over the place and that demand is there.

New Business

- § 11. Resolution no. 22-011 Relative to Approving of the Qualifying Certificate Community Grant Programs series 6.
 - a. Administrator Mendiola referred to the board packet of the resolution 2022-011, the timing of this program, we would like to have this available, so we can start planning, just because this is a lighter board meeting agenda, Qualifying Certificate Community Contribution Grant Program, we have had 5 series. We usually do 1 in the beginning of the year and 1 at the end of the year. We are thinking to launch sometime in June, and the applications will be open for a month. Usually, the awarding process is very soon thereafter in conjunction with the office of the Governor. We are asking the board for \$300,000 for this program. Thus far, we funded 92 projects, about 1.5 million. We get terrific feedback on this program from both small and large non-profit organizations. Funds are available and we are monitoring the markets.
 - b. Secretary Siska Hutapea made a motion to pass Resolution 22-011. The motion was seconded by Vice Chairman Ernesto V. Espaldon, Jr. The Directors then voted, and the motion was unanimously passed.



Public Comments

§ 12. There were no public comments.

Adjournment

§ 18. Director John requested a motion the meeting to be adjourned. Secretary Siska Hutapea made a motion to move and it was seconded by Director Fe Valencia-Ovalles. Adjournment of the meeting was unanimously approved.



ESPALDON, ERNESTO
Vice Chairman, Board of Directors

Attest:



SISKA HUTAPEA
Secretary, Board of Directors