



**Minutes of Regular Meeting to the Board of Directors of the
Guam Economic Development Authority
September 28, 2023**

Call to Order

- § 1. The regular meeting of the Board of Directors of the Guam Economic Development Authority (“GEDA” or the “Authority”) was held on Thursday, September 28, 2023 at the hour of 1:30 p.m., at the GEDA conference room, Suite 511, GITC Building, Tamuning, Guam. The meeting was called to order by Vice Chairman Ernesto Espaldon Jr. 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 J. John the following individuals were present:

<i>Directors:</i>	<i>Office or Position:</i>
David J. John	Chairman (via zoom)
Ernesto Espaldon Jr.	Vice Chairman
Andrew Park	Director
Dr. Doreen Crisostomo-Muna	Director
Melanie Mendiola	CEO/Administrator
Carlos P. Bordallo	Deputy Administrator
Terrence M. Brooks	Legal Counsel

Also, in attendance were:

Angelene Rios	GEDA
Matthew Baza	GEDA
Diego Mendiola	GEDA
Melvin Tabilas	GEDA
Ariana Villaverde	GEDA
Christina Merfalen	GEDA
Claire Cruz	GEDA

Yong Pak	GEDA
Antoinette Leon Guerrero	GEDA
Rizalito Pezlingagyen	Ernst & Young LLP
Mark Alvarez	Ernst & Young LLP
Joe Taitano	PDN

Approval of Agenda

- § 4. The motion to approve the agenda with the change of the financial audit moving to item A, of new business was made by Director Park. The motion was seconded by Vice Chairman David John. The Directors then voted, and the motion was unanimously passed.

Approval of Minutes

- § 5. Director Park made the motion to approve August board meeting minutes and was seconded by Chairman David John. The Directors then voted, and the motion was unanimously passed.

Chairman's Remarks

- § 6. Ernesto Espaldon Jr. reported the following:
- a. Today's agenda is centered on our fiscal responsibility as a board as we examine the audit and the fiscal year 2024 budget. Director Espaldon thanked the auditors for their hard work on this and looks forward to their report.
 - b. On September 14th, GEDA held its third annual Taking the LEAP virtual conference. It was attended by about 75 people and content centered on access to capital and exporting goods outside of Guam. The virtual event was funded by a grant under the SBA's State Trade and Export Program.
 - c. We also have a number of qualifying certificates awaiting feedback from the attorney general. The primary concern identified is the implication that the business privilege tax abatements have on our bond covenants. After much back and forth, GEDA opted to send out what is called an EMMA notice, short for electronic municipal market access, the MSRB platform for public notice to shareholders and bondholders. To date, there have been no comments or concerns expressed by bondholders. Sometime next week, GEDA will be doing a letter to the AG that no concerns arose. This will ultimately be reflected in our QC standard operating procedures as there are multiple QCs that allow for the abatement to BPT. This action should facilitate a swifter review of QCs following their board approval not only by the AG, but also by the Office of the Governor.

- d. Regarding the LEAP supplement grant with a positive year in government finances, it appears that signs are pointing towards the program getting off the ground. The action that would set this in motion is an executive order from the Office of the Governor. Once that occurs, the team will be ready to take the leap without any delay.
- e. Director Espaldon asked the board to join in extending thoughts and prayers to Governor Leon Guerrero and her family as they mourn the loss of their matriarch, Tan Eugenia Leon Guerrero, who now joins her husband, Jesús Leon Guerrero, founder of the Bank of Guam, and former board chair of GEDA 50 years ago.

CEO/Administrator's Remarks

§ 7. Administrator Melanie Mendiola reported the following:

- a. GEDA got a recent announcement that we received a \$100,000 grant from the SBA to continue our step program. So this is our third approval under the State Trade and Export Program. We're going to use it for the conference that we've been holding. Taking the Leap over the last three years has been a virtual conference. We're going to use this money for an in real life, an in-person conference next year, in addition to the mini grants that we use to support businesses and their export endeavours. The Administrator had the opportunity to go to Taiwan and have a number of fruitful meetings with government officials as well as the fisheries, their equivalent of the Fisheries Council of Taiwan.
- b. The Administrator also met with six other states and their Economic Development representatives. They discussed what incentives they are offering. The driving message, though, that continues to be shared is that tax abatements and tax incentives don't matter as much as the availability of supply of labor. It's important for GEDA going forward in our strategic plan to incorporate serious work with the Department of Labor, as well as the University of Guam and Guam Community College, to ensure that as we invite companies to come and do business in Guam, that we're very confident that we have the labor supply needed to be able to support any industry that we create.

Committee and Standing Reports

§ 8. Vice Chairman Ernesto Espaldon Jr. reported the following

- a. Updates were transmitted in Meeting Packet.

Old Business

§ 9. Administrator Mendiola reported the following:

- a. There was some internal meeting with GVB and the Governor's Office regarding a new HOT Bond. Now it's a matter of identifying projects. It looks like there's also some desire to replace or to look at what can be funded from ARP.
- b. GEDA met with the Lieutenant Governor recently after his presentation to the GCA, the Guam Contractors Association, to report on progress made by Business Licensing and Permitting task force. They discussed GEDA and government-wide efforts in that space.

New Business

§ 10. E & Y reported the following:

- a. Rizalito Paglingayen a partner with E&Y, Guam Economic Development Authority's auditor, presented the results of the September 30, 2022 audit.
- b. EY issued an unmodified or a clean opinion on the proprietary fund financial statements. It also issued an unmodified opinion on the aggregate other co-information of GEDA, which is basically the GDFA, the Fiduciary Fund, presented in GEDA's financial statements. As part of our government auditing standards procedures, we identified two findings in our report, which pertain Paglingayen to the implementation of GASB 87. With regards to the management letter comment, we did identify one other deficiency related to the formal documentation of GEDA's arrangements, specifically with the government of Guam, with regards to certain programs being managed or administered by GEDA.
- c. E&Y has an ongoing audit on the federal compliance of GEDA's federal awards. We have identified two major programs for which GEDA has been identified as a sub-recipient. The first is the Community and Economic Adjustment Assistance program and the last phase on the childcare development grant funds. As soon as we receive the requisite information, we'll proceed with the necessary procedures to conclude that portion of the audit.
- d. Mr. Paglingayen gave an overview of areas of audit emphasis with regards to procedures related to GASB 87 leases. This represented the most significant adoption of a new accounting standard for September 2022 financial statements. One of the two findings that we identified as a significant deficiency is related to the rate escalation. In preparing or in coming up with the adjustment to the implement GASB 87, certain rate escalations embedded into the leases were considered and therefore the value of the capital asset, the least receivable in their case, as well as the deferred inflow for the leases were slightly off. What this means is that GASB 87 requires upon implementation that you only consider the remaining lease term from the beginning of September 30, 2022, fiscal year in determining the appropriate discount rate to be taken into consideration. The implementation of GASB 87 did have an impact of increasing your asset and increasing your flow of resources with the

objective of smoothing out the revenue being recognized on your statement of changes in that position going forward for the lease. It's clear in the standard that only fixed payments are to be considered in the application of GASB 87. So care needs to be taken to make sure that variable and fixed payments are not considered as part of the valuation of that piece.

- e. Lastly is just an overview of the impact as of September 30, 2022. We did see an increase in the receivables to about \$28.4 million and a corresponding increase in the total of this is total of \$1.2 million. The application of GASB 87 now requires this future anticipated income not to be reflected on your statement of acquisition.
- f. Regarding the recognition of grant revenues, this is just, again, a reminder that as it relates to grants, especially those that are reimbursement-based, as long as the grant has been reported, the revenue should be reported at the time the expenditure was incurred.

§ 11. Administrator Mendiola commented:

- g. At the outset of being given the findings, our response, of course, our management's point of view on GASB 87 is that this was the very first year of implementation. I believe there was a difference of opinion in the approach, and we believe our approach was a good one. Nonetheless, we're happy to take the feedback of the auditors and implement these changes. With regard to the recognition of grant revenues, this is something we are increasingly becoming much more diligent about, and, we're experiencing the growing pains of all these grants and programs that we're implementing, that we implemented, and I think that it's important to understand as we grow to always be mindful and conscientious of tracking things appropriately. So we take all of the auditors feedback and are utilizing it.

§ 12. Chairman David John commented:

- h. If you ask me, GASB 87, I've been in business a long time, it's the most confusing thing I've ever undertaken. So I'm not involved with any organization that didn't struggle first out of the game. So I think the auditors recognized that and they're here to advise you. So I wouldn't take that one too hard on the team, and we just don't want to see it next year.

§ 13. Director Park made the motion to accept the 2022 audit report, which was seconded by Director John. The Directors then voted, and the motion was unanimously passed.

§ 14. Chairman David John made the motion to order to open the discussion for FY 2024 budget and was seconded by Director Muna. The Directors then voted, and the motion was unanimously passed.

§ 15. Administrator Mendiola reported the following:

- a. Starting with GEDA's organizational chart on page three, there have been no changes to the org chart since it's last adoption. However, some positions you see are unfunded in parentheses. Those unfunded positions are positions that remain open subject to grant funding or any type of new project that provides the cash flow to be able to budget for these employees.
- b. To the far right, you have Childcare Grant program division. This was the temporary division that was set up to handle all of the childcare programs. These are limited term positions, and this box will disappear at some point in time when we close out the childcare programs. If we move on to the budget summary, thus far, fiscal year 23 came in under what was projected, primarily due to bond deals that were pushed to fiscal 2024, in addition to some grants, federal grants that were slow out the gate due to planning purposes. You'll see operating revenue relatively level from 2023 to 2024. We project \$4,212,000 which is just a little bit less than what we actually realized year to date in 2023. Operating expense-wise, we are projecting lower expenses at \$4,161,394.
- c. The major contributors to our revenue continue to be our bread and butter, real property, in addition to our qualifying certificate fees. GEDA's bond fees and any administrative and grant fees tend to fluctuate. The one that is the most variable, it continues to be the most variable, will be grant revenue and administrative fees, which primarily have to do with ad-hoc projects we take on or projects we proactively go after, specific to economic diversification.
- d. Vice Chairman noted at least a \$500,000 decrease in the revenue forecast versus the approved 2023. Which will lead to, it looks like half a million dollars less expenses that you're programming. Then as we go down on page four, I do see your grant revenue and administrative fees. I'm just trying to make sure GEDA should have enough income. And then so just the board could understand, we have an approved amount of zero, but then in fiscal year 2023, we have other income. Could you just comment on that for 2023?
- e. Administrator Mendiola answered: Yes, other Expenses. The QC grant, if you recall, the timing of the grants that we give out under the qualifying certificate program. Let's say we take in about 1.3, 1.4 million in QC fees. Last year, we utilized 450,000. This year, we're also looking to utilize 450,000 towards our operations and economic development, business development. The remainder goes into this pot called our QCCC, our Qualifying Certificate Community Contribution Fund. When we spend that QC money, that is classified as an other expense. It used to be on The balance sheet, but because the new accounting standards, it moved to our profit and loss statement. It's specific to the QC revenues that come in. Our largest community

contribution comes in from GRMC. They have from January to December to make a \$1.2 million contribution. As you can see, there's some overlap there between two fiscal years because the recipient can opt to give the entire contribution in, say, November, which would bleed into a new fiscal year, or in January, which would leave the next fiscal year without. And what we've tried to do is get the timing right with our QC grant so that we're receiving the money before we announce a grant program. But there was some money that was stored up from previous years that we started to distribute a little more aggressively in 2022. It had been money that was coming in in 2020, in 2021, and then we said, Okay, let's go ahead and give a little bit more out. I think to me, that was probably the biggest contributing factor to the timing.

- f. GEDA did have one cyber security breach that is still under investigation with the FBI that resulted in us writing two checks for the same vendor. \$425,000. The total was about \$725K, we recovered about \$300,000. So it's between us, the bank, and the vendor. The vendor sent in information that their bank information had changed and GEDA's processes broke down and reported it to all the powers that be, but specifically the FBI. GEDA has implemented new controls so that this doesn't happen again. The SOP hadn't been updated in quite some time, so we updated it to add for additional levels of caution and additional levels of security in verifying form. We have a form for any new ACH account that has to be verified. Whenever we sign out, we verify. We get a confirmation email and call that vendor.
- g. For the most part, our expenses are in line with last year. The conferences, trainings, and meetings are greater in particular, as well as our marketing, and that is primarily due to our participation in Select USA. If you recall, Select USA is something that is ARP funded. Our operating revenues are inclusive of our bread and butter operating revenues, such as rent collected, public finance fees, in addition to the special projects, including our ARP admin fee and our childcare admin fee. As such, those expenses are embedded here in salaries and so on, Our office space, I mean, pretty much this is a minor escalation to our office space, legal, we thank our attorneys for always staying within budget. We also are subject to a single audit. However, the audit is of multiple programs, including our loan program, so we also charge the direct expense to our loan programs, not just to general operations. Everything else is relatively straightforward. I did want to make a comment, however, about salaries. I think that in the coming month or two, I would very much like to keep our salaries within this. This is the budget that I believe is good for this year.
- h. The Administrator noted there is inconsistency with the rest of Gov Guam. Once you hit a certain level of seniority in the organization, let's say a program coordinator four, then your evaluations are only once every two years. If you're getting evaluated once every two years, your step, the promotion, one step is about equivalent to three %. Two steps are equivalent to six %. On average, that's okay if you're getting

evaluated every year. You get one step is like, you're doing okay. Two steps is you're doing awesome. But the thing is, if you're only getting evaluated every two years and then you're considered exceptional, you're getting two steps spread over two years. That really equates only to one step every year, which is basically inflation. We're not rewarding the most senior employees who have the greatest amount of responsibility with the promotions that they are likely, more often than not, are well-deserving. That's the first thing that has come to our attention.

- i. The second thing that has come to our attention is with the adoption of the general pay plan, there's been two adoptions of pay plans since GEDA adopted its pay plan. There's inconsistency, primarily with regard to some of the employees that have a tenure of longer than, say, five years. Because if you were hired within the last few years, then chances are we gave you an offer, you accepted the offer, you're working for us, that's fine. But if you're an accountant two that's been an Accountant II for a number of years, versus an Accountant II at the airport, the Accountant II at the airport is probably making about \$15,000 more than you. Maybe 20. I do not believe the answer is to adopt the general pay plan. However, the answer is to look at every single position and to look at where we believe that it should be. As well as there is also an economic development, the IEDC, our economic development organization nationwide, they have an annual paid study that we can purchase. We can purchase that; we can look at that as well and see what the industry pays. Then from there, we can make adjustments. What that means is that we may come to the board in the next month or two or three and say, this is the year when we start making adjustments. You'll see adjustments all over the map. You'll see this employee getting three steps, this employee staying the same. Then the auditor's question will be, "what were you guys doing?" We're getting to the point where we're consistent with the Gov Guam general pay plan. You're going to be doing that in fiscal year '24?
- j. The Administrator noted that other Board provide the budget on a monthly or quarterly basis. If that is something the Board wanted us to do, we could start doing that going forward. The most variable pieces of revenue generally have variable expenses that can be adjusted accordingly. We had one big grant that caused the decrease in fiscal '23. It was called the Green Markets Grant. The Green Markets Grant, the money that was supposed to come in was supposed to go out for construction in addition to an admin fee for us. The project was pushed because there were some trouble getting it due to questions about the title of the land. What we did was we didn't pay for the construction, so we didn't collect the revenue. For the most part, the variable items have variable expenses attached to them. Then in the non-operating side of the house, there's some padding as well. There's the investment income. We've become very actively involved in utilizing our financial advisors and the investment committee, to manage our investments. We don't lean on the passive income to support our operating revenue, but the passive income is there to help us when things don't go quite as planned.

- k. GEDA also spends quite a large amount on professional services. We currently have in a regular operating year, other professional services. One is primarily for real property consultant, as well as an integrated marketing and communications consultant. That makes up about \$250,000. The remainder is the variable amount that has to do with our A&E, an architect and engineer, multi-term contract that's relative to a grant revenue that comes in for it. We also utilize our marketing consultant. When they work on special projects, their fee goes up, and that is also plugged into the other professional services, and there's corresponding grant revenue. The corresponding account to that would be grants revenue.

- l. Vice Chairman Espaldon to ASD Manager, Ariana Villaverde: Vehicle lease agreement, is that a timing issue there where we have \$8,400 in the budget? It's at 12 for next year. We didn't go out for a lease vehicle. We wanted to, but we didn't. But we want the option for 24 still. Okay. Then the same thing with the advertising. I agree, advertising to me is important with overall communications. The \$8,240 that we have spent so far, is this a timing thing too, or are we going to reach \$15,000 budget? No, sir. It's primarily because most of the advertising and marketing that was done was done specific to childcare and other specific programming. Whereas in a regular year, if GEDA's name wasn't out there as much as it was with childcare, then maybe in a regular year we'd say, Oh, this is a good year for us to put out a commercial or some PSA or do a little bit more marketing for ourselves. This year, a lot of our programs and our work did the marketing. For us and the advertising for us, so that's why we didn't have the information. Website development, same thing. We brought down that budget because things are stabilized. We had a contract for the development of our website. Now this is just for the hosting. It's just web hosting now. We're looking at matching expenses to revenues.

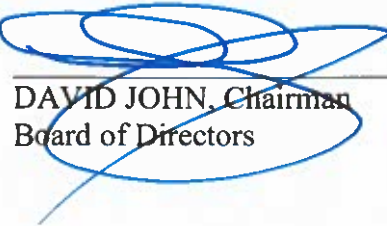
§ 16. Director Muna made the motion for the adoption of the budget and was seconded by Chairman John. The Directors then voted, and the motion was unanimously passed.

Public Comments

§ 17. There were no public comments.

Adjournment

- § 18. A motion for the meeting to be adjourned was moved by Chairman David John and was seconded by Director Park. Adjournment of the meeting was unanimously approved.



DAVID JOHN, Chairman
Board of Directors

Attest:

SISKA HUTAPEA
Secretary, Board of Directors

Adjournment

§ 18. A motion for the meeting to be adjourned was moved by Chairman David John and was seconded by Director Park. Adjournment of the meeting was unanimously approved.



DAVID JOHN, Chairman
Board of Directors

Attest:



SISKA HUTAPEA
Secretary, Board of Directors