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GEDA Citizen Centric Report FY2017

2 messages

Dianne Ollet <dianne.ollet@investguam.com> Mon, Jul 2, 2018 at 4:48 PM
To: senator@senatorbjcruz.com
Cc: Jay Rojas <jrojas@investguam.com>, Mana Silva Taijeron <mstaijeron@investguam.com>, Bernice Torres <btorres@investguam.com>

Hafa Adai Speaker Cruz,

Pursuant to P.L. No. 30-127, the Guam Economic Development Authority submits its Citizen Centric Report (CCR) for fiscal year ended September 30, 2017.

The report can be found on our website at http://www.investguam.com/about-geda/citizen-centric-report/ with the direct download link being http://www.investguam.com/wp-content/uploads/2018/CCR/CCR%202017%20FINAL%2002JUL18.pdf

Should you have any questions or concerns, please do not hesitate to contact me.

Si Yu'os Ma'ase.

Senseramente,

GL # 34-18-2046
Speaker Benjamin J.F. Cruz

JUL 02 2018
Time: 4:55 AM PM File No
Received By

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Moving Forward

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2018 JUL -3 AM 8:00

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07/02/18	07/02/18	Guam Economic Development Authority	GEDA Citizen Centric Report FY2017. *Emailed provided link	34-18-2046

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2046

2017 Citizen Centric REPORT

GUAM ECONOMIC DEVELOPMENT AUTHORITY
Moving Forward
Aturidåd Inadilånton Ikunumihan Guahan

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. Currently, there are 34 employees.



JAY ROJAS
Administrator
Adminastradot



MANA SILVA TAIJERON
Deputy Administrator
Sigundo Na Adminastradot

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.

CONTACT US

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REPORT CONTENTS

Although GEDA has a series of broad mandates, GEDA focused on key areas, serving as a central financial manager for the Government of Guam (GovGuam), assisting local enterprise while promoting investments of entrepreneurial capital in Guam, along with an internal focus on program compliance, process improvement measures and leveraging limited resources. With that, the accomplishments and strides achieved have been milestones, overcoming great challenges and a vision to realize great opportunities for the sustainable growth of the island's economy.

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Doc. No. 34GL-18-2046.

Business DEVELOPMENT

The Business Development (BD) Division of GEDA prioritizes the development of Guam's economy by supporting local enterprise and attracting new investments through incentive programs and industry diversification efforts.

ECONOMIC DEVELOPMENT TRADE MISSIONS

Executed 5 in 2017 resulting in:

Following headline news related to North Korea and Guam, reassurances were made to promote Guam as a safe place to visit and invest.

Presentations were made to investors at the Hotel Investment Conference Asia Pacific (HICAP).

Opening dialog and relations on bi-lateral investment opportunities.

Interest in building a small manufacturing lab, power generation, affordable housing, telecommunications and energy efficient technology, tourism, hotel development and airlines.

QUALIFYING CERTIFICATE (QC) PROGRAM

The QC is an economic incentive tool to entice investors in use for over five decades, and has had a substantial positive impact upon the economic development of the island.

The passage of P.L. 32-233 established the Special Hotel QC, which addressed the need for additional hotel rooms.

In 2018, Governor Calvo issued Executive Order 2018-02, which placed a 90-day moratorium on the renewal of any existing QC's.

GEDA has been placing priority on improving the program for both the new economic reality and the government financial situation.

GUAM PRODUCT SEAL PROGRAM

79 Guam Product Seal permits were issued in 2017 to local manufacturers.

The annual "Made in Guam" Product Fair was held on 12/02/17 at the Agana Shopping Center with over 20 vendor participants and hundreds in attendance.



SPECIAL PROJECTS

1. Chamorro Village (CV)

Since 2016 BDD developed a marketing plan to promote CV. Due to legal concerns, a Memorandum of Understanding and Executive Order providing GEDA with authority has been unsuccessful. In the interim, BDD has been actively supporting and networking with CV staff and vendors with guidance and assistance with their daily operations.

2. Department of Public Works Permit Center

BDD developed a preliminary report identifying the operations and cost of a One Stop Business License and Permit Center under the management of GEDA. The objective being to improve operations of business licensing and permitting.

3. Community Outreach and Marketing Program

BDD has participated and continues to participate in numerous business associations and activities as part of our marketing and education outreach program.

FILM COMMISSION DEVELOPMENT

P.L. 31-159 Established the Guam Film Office within GEDA. Research from various film jurisdictions around the world were used to strengthen the draft rules and regulations.

Public FINANCE

Mandated to serve as the Central Financial Manager for GOV Guam, GEDA assists with, coordinates & monitors Financial Advisory Services, Capital Financing, Debt Management & access to the Capital Markets.

UNIVERSITY OF GUAM ENDOWMENT LOAN

$21.7M loan authorized by P.L. 32-120 for the construction of new Student Services Center & new School of Engineering.

USDA approved direct loan to UOGEFI at an **interest rate of 2.375%** (Dec 2016).

GUAM COMMUNITY COLLEGE LOAN

$5M loan authorized by P.L. 32-120 for the construction, expansion renovation and/or hardening of GCC crime lab & building #100.

USDA approved direct loan to GCC at an **interest rate of 2.375%** (Dec 2016).

PROMESA PROMPTS FITCH DOWNGRADE OF GUAM BPT BONDS

Following the signing of Puerto Rico Oversight, Management, and Economic Stability Act **(PROMESA)**, **Fitch downgraded the Government of Guam's outstanding business privilege tax bonds from A- to BB** (Dec 2016). The rating had nothing to do with a change in Guam's credit strength or any factor within Guam's control. Fitch stated they are concerned with the Government's inability to sustain a structural balance and high liability burden.

PRIVATE ACTIVITY BOND PROGRAM

2017 carry-over volume cap in the amount of **$248M** will be available during the year for any of the designated types of bonds.

INVEST GUAM SYMPOSIUM

GEDA hosted the Invest Guam Symposium on 2/22-23/17 at the Dusit Thani Hotel that provided an opportunity for bond investors to experience first-hand assets they have or will invest in.

The goal was to provide investors with updates in Guam's overall growth and alleviate concerns with the PROMESA .

BOND RATINGS

	S&P	FITCH	MOODY
GOVGUAM GENERAL OBLIGATION BONDS	BB-		
CERTFICATE OF PARTICIPATION	B+		
BUSINESS PRIVILEGE BONDS SERIES A, B, & C	A		
GIAA REVENUE BONDS	BBB		BAA2
GUAM POWER AUTHORITY BONDS		BBB-	BAA2
GUAM WATERWORKS AUTHORITY (GWA)		BBB-	
HOTEL OCCUPANCY TAX REVENUE BONDS			

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State Small Business CREDIT INITIATIVE

On October 4, 2011, Governor Calvo received approval of the **$13,168,350 U.S. TREASURY FUNDING** for the Guam Small Business Credit Initiative Program. The Guam SSBCI Programs provide credit enhancement to lenders and borrowers **who cannot otherwise obtain loans or credit lines** through standard commercial underwriting guidelines.

IN 2017, GEDA HAS DEPLOYED:

$8.8M
TO SUPPORT LOANS TO

70
SMALL BUSINESSES

50 MINORITY OWNED | *19 WOMEN OWNED* | *1 VETERAN OWNED*

$12M
NEW MONEY INTO GUAM

$40M
GENERATED IN REVENUES

410 + 474
NEW JOBS CREATED & RETENTION OF JOBS

Real PROPERTY

GEDA manages three industrial parks: the E.T. Calvo Memorial Park, the Harmon Industrial Park and a small portion of Port Authority of Guam property. In an effort to generate additional revenues, GEDA purchased improvements resulting in annual lease rents collected at about $1.1M.

HOT BONDS

Public Law 30-228 authorizes **$55M+ of the 2011 Hotel Occupancy Tax Bond** proceeds to be used for the construction of various **Capital Improvement Projects** throughout the island.

As of the end of calendar year 2017, GEDA has completed nearly all of the projects listed to include:

- Plaza De Espana restoration
- Inarajan Community Center
- Farmer's and Dededo Flea Market Facility
- Hagatna Swimming Pool and Tennis Facility restoration
- Malesso Bell Tower restoration
- Numerous public parks
- Magellan Monument restoration
- Scenic and Informational signs
- New village monuments
- Mangilao Public Market renovation
- 100% of the Guam Museum

The other remaining projects anticipated for conclusion in 2018 include new Pedestrian Safety features in Tumon, completion of the Hagatna Master Plan, lighting improvements at Ypao Park, mitigation of flooding in Tumon and completion of improvements to the Fisherman's Cooperative facility along with reinforcement of the seawall at Paseo.



$260K GRANT
BOAT RAMP FEASIBILITY STUDY & DESIGN

United States Department of Interior awarded a grant in the amount of **$260K to conduct a Boat Ramp Feasibility Study and Design** to determine the most feasible boat ramp locations and enhance it to better provide emergency response to the Eastern seaboard of Guam. GEDA issued a Request for Proposal (RFP16-005) soliciting proposals from qualified individuals or firms to provide professional technical services to assist GEDA in implementation of projects in a fashion that meets various objectives and expands and improves Guam's economy. To date, GEDA completed contract negotiations with the selected firm and issued a **Notice to Proceed on September 25, 2017.** Design is currently at 30% completion.

INDUSTRIAL PARK MANAGEMENT
E.T. Calvo Memorial Park, Harmon Industrial Park, and the Port Authority of Guam

700-1000	$41.0M	$130M	$6M+
JOBS ANNUALLY	IN PAYROLL	GROSS SALES	GRT

*Average based on annual surveys conducted.

OVERALL LEASE REVENUE
Industrial Parks & GALC leases

$1.3M
FOR GEDA'S OPERATING REVENUES

GUAM ANCESTRAL LANDS COMMISSION MOU LEASES
October 2007 - September 2017

$5.5M	$800K
COLLECTED IN RENT	REMITTED TO GEDA

Commerce and Economic DEVELOPMENT

The Commerce and Economic Development (CED) Division enhances GEDA's ability to conduct general economic research and financial analysis by responding to public inquiry concerning economic development initiatives for the territory of Guam, provide data collection for policy assessment, compile and disseminate investment related statistics and various metrics to gauge regional and local industry development, and provide technical assistance and collateral research support as requested by government agencies and business entities to include:

- *Revenue forecasting using the Prevailing Economic Variables (PEV) model*
- *Data repository & mining activities*
- *Comprehensive economic development planning, including a review of existing Guam master plans to promote integrated planning & implementation of economic development initiatives*
- *Industry-specific research to assess or evaluate the need for certain QC*
- *Proposals pursuant to Public Law 32-233*
- *Economic analysis for certain financing alternative(s) for development projects*
- *Review and input on social & economic studies and reports for Guam*
- *Fiscal policy & stabilization assessment/update*
- *Input on proposed legislation on business & economic matters as requested*
- *Input & technical staff support for the GMHA Hospital Management Advisory Team*
- *Compile an annual "Economic Indicator" booklet providing select statistics & data to gauge economic climate*
- *Grant management for Federal Award #07-69-07392 provided by the US Department of Commerce, Economic Development Administration's Planning & Local Technical Assistance Grant Program. Scope of activities include:*
  - *Preparation of a Comprehensive Economic Development Strategy*
  - *Establishment of CED Strategy Committee inclusive of public and private sector partnerships*
  - *Establishment of a plan of action to network with local cooperative groups*
  - *Planning and execution of a CEDS Economic Forum*

Financial DATA

GEDA REVENUES FY17 $2,946,971* FY16 $3,236,979 -9.0%

GEDA EXPENSE FY17 $3,145,441* FY16 $3,380,997 -7.0%

FY2016/ FY2017 GEDA REVENUES & EXPENSE COMPARISON

REVENUE BY SOURCE	FY16 (AS RESTATED)	FY17
Industrial Parks	$1,183,006	$1,171,329
Qualifying Certificate	$873,765	$646,910
Bond Fees	$927,877	$249,378
GALC	$80, 221	$105,278
Other	$172,110	$774,076

EXPENSE BY CATEGORY	FY16 (AS RESTATED)	FY17
Personnel Expense	$2,577,913	$2,536,231
Legal & Professional Services	$322,463	$237,960
Office Space & Equipment Rental	$230,142	$169,490
Travel	$123,292	$92,238
Advertising & Promotions	$34,289	$19,041
Miscellaneous	$92,898	$90,481

*As of September 30, 2017, GEDA ended with a change in net position of $1,712. Due to GASB 68/73 net adjustment of ($200,182) related to pension and other retirement supplemental benefits, change in net position resulted in ($198,470).
An independent audit was conducted, resulting in a clean audit opinion. Complete financial information is available at our website: www.investguam.com

Doc. No. 34GL-18-2046.

Moving FORWARD

FISCAL YEAR 2018 INITIATIVES

QUALIFYING CERTIFICATE

The Business Development Division has begun to hold regular meetings with the Compliance Division and members of the GEDA Board to formulate strategies to improve the QC Program by granting targeted, controlled tax incentives to specific industries and activities. These strategies will also take into account the current financial situation of the Government of Guam as well as current economic trends.

GUAM FILM OFFICE

The Business Development Division will update the prepared draft Rules & Regulations for the Guam Film Office, and will empanel the requisite advisory committee as per Public Law 31-159. Once GEDA management as well as the Board of Directors review the draft rules and regulations, they will be submitted to the Guam Legislature, with an anticipated adoption by September 30, 2018.

ECONOMIC DEVELOPMENT

TRADE MISSIONS

BDD will be develop and lead trade missions and business trips to market Guam's various economic opportunities. Not only are we focused on enticing investment in key industries, we aim to secure investment into new and burgeoning industries. Planned 2018 trade missions include:

Philippines (June), Taiwan (July), and U.S. Mainland (October).

GUAM PRODUCT SEAL (GPS)

GEDA will continue to seek local manufacturers to enroll in the Guam Product Seal program; with a goal of 90 GPS permit holders by the end of 2018. Additionally, plans to have more GPS events in 2018 are underway, with a GPS Spring Fair in May and the GPS Holiday Fair in December.

Additionally, GEDA will provide sponsorship, via the utilization of Special Hotel QC Community Contributions, to the GVB for their 2018 #InstaGuam Fair in Manila, Philippines in June. The sponsorship will allow for GPS Program and its permit holders to be featured during the event and all its media exposure.

Challenges Affecting GEDA

1 **UNFUNDED** LEGISLATIVE MANDATES

GEDA over the years has been mandated by the I Liheslaturan Guahan to perform duties that are **not financially supported.** 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.**

2 **PUBLIC LAW 32-40** LEASE LIMITATIONS

Public law 32-40 imposes a five (5) year duration on commercial leases. This short time period makes GEDA's commercial leases on available government-owned lands **less attractive and difficult to market** at fair market rental value.

3 **H2B** VISAS

Since 2015, Guam employers have been experiencing extremely high incidents of **H2B petition denials and requests for evidence notices** from U.S. Citizenship & Immigration Services. Denials have been about 95% compared to an approval rate of about 96% for the past 30 years. This change in USCIS adjudication appears to be due to a Returning Workers provision included in the **2016 Omnibus spending bill** that quadrupled alien workers eligible under the U.S. Mainland's H-2B cap, and the pressure by construction labor unions to reduce foreign workers in the U.S. But **Guam does not have an H2B cap nor construction labor unions**.

Guam is an isolated insular economy, 6,000 miles from the continental U.S. (CONUS) with a small population of about 170,000. Guam's remoteness and size have historically made it very difficult to recruit and retain U.S. construction workers from CONUS. Despite an active vocational training system and apprenticeship program, Guam is not able to train enough construction tradespersons to match our current and projected economic growth. Investors and developers' on-island and abroad are cognizant of our labor issues and projects are being pushed back as a result.

PLANNED PUBLIC FINANCE PROJECTS

GUAM WATERWORKS AUTHORITY

$107.8M BOND REFINANCING

GWA and GEDA successfully refinanced $107,815,000 of the 2010 Series-A bonds saving over $14.8M in gross savings in 2040. (Dec 2017) The pricing of the bonds followed two weeks of meetings with 10 institutional investors in Chicago, Boston, New York, and the Philadelphia area, each of whom placed orders during the order period.

In total, 29 investors placed over $1.1B in orders , which is over ten times the offered amonut of bonds. This substantial demand allowed for the further lowering of bondd ields to an all in True Interest Cost (TIC) of 4.06% . The savings from this refunding offers GWA an average annual savings of $640,000 in debt service payments.

GUAM POWER AUTHORITY

$147.7M BOND REFINANCING

Based on a review of market conditions and the bond indenture, GEDA determined that there was savings in refunding all or a portion of the GPA 2010 Bonds. The refunding was authorized by Public Law 34-69, passed by legislature on December 4, 2017.

At the time the bonds were offered for sale, investors placed over $593M in orders, which is over four times the offered amount of bonds. This substantial demand allowed the further lowering of bond yields to an all in True Interest Cost (TIC) of 4.12%. The savings from this refunding offers GPA an average annual savings of $501,236 in debt service payments.

GUAM MEMORIAL HOSPITAL

LABOR AND DELIVERY WARD

Public Law 32-204 as amended by PL 33-151 authorized a $9.2M financing for renovation of the Guam Memorial Hospital Labor and Delivery Ward. GEDA has been working to close this loan with USDA at an interest rate of 2.75%. An RFP for interim financing was issued twice during FY2017 but GEDA was not successful in coming to terms with the proposer. GEDA has sent USDA a request for a waiver of the interim financing but this request ws denied. GEDA will issue the RFP once again in FY2018 in hopes of securing a financier, either on or off-island.

GUAM DEPARTMENT OF EDUCATION

REPLACEMENT OR RENOVATION GDOE FACILITIES

Public Laws 31-229, 32-120, 32-121 authorized the financing for the rehabilitation, construction, expansion and renovation of the Simon Sanchez High School and the 34 public school facilities and to provide collateral equipment, maintenance and insurance. After a protest on the initial award was determined to have merit, DPW cancelled the RFP and has reissued a new RFP in January 2017. A contractor has launched a protest once again which has placed the procurement on hold.

PORT AUTHORITY OF GUAM

ESTIMATED $72.6 MILLION NEW MONEY

The Port Authority of Guam has approached GEDA in efforts to finance the building of a new hotel wharf with access roads, a new administration building, and the rehabilitation and improvement of the existing administration building for tenants. GEDA will be assisting in securing a revenue bond financing in an amount not to exceed $72.6M for refinancing of existing debt and the funding of critical capital improvement projects as authorized by Public Law 34-70.

DEPARTMENT OF LAND MANAGEMENT

Public Law 29-135, authorized the financing for a new Land Resources Public Facility and for the purchase of collateral equipment in an amount not to exceed $15.75 million. GEDA and DLM were not able to secure the loan through Bank of Guam due to stringent requirements. GEDA will continue to work with DLM on possibly approaching the USDA for assistance.

OTHER PUBLIC FINANCE PROJECTS

DEBT ABSTRACT

The Public Finance Department issued the latest GovGuam Debt Abstract reflecting the government's debt position as of October 2016. The abstract further details our current debt capacity, bond ratings per bond and annual debt service due on all bonds.

GOVGUAM DEBT MANAGEMENT PLAN

As part of the OPA audit on the Government of Guam Public Debt (OPA Report No. 14-01), it was recommended that GEDA work with the Office of the Governor on a Formal Debt Management Policy which would describe the process of establishing and executing a strategy for managing the government's debt. *GEDA has been working with the Governor's Fiscal Policy Team in the development of this document.*

If there is information you would like to see in this report, please contact **Jay Rojas** at **jay.rojas@investguam.com** or visit us online at **www.investguam.com**.

Doc. No. 34GL-18-2046.