Speaker's Office <speaker@guamlegislature.org>

M&C Fwd: GEDA 2018 Citizen Centric Report

1 message

Speaker's Office <speaker@guamlegislature.org> Tue, Jun 4, 2019 at 3:48 PM
To: Clerks Office <clerks@guamlegislature.org>
Cc: Rennae Meno <rennae@guamlegislature.org>
Bcc: Tina Muna Barnes <tinamunabarnes@gmail.com>

06-04-19	3:25 PM	06-04-19	GEDA 2018 Citizen Centric Report.*	Guam Economic Development Authority	35GL-19-0582

Sinsenru yan Minagåhet,

Office of the Speaker • Tina Rose Muña Barnes
Committee on Public Accountability, Human Resources & the Guam Buildup

35th Guam Legislature
I Mina'trentai Singko na Liheslaturan Guåhan

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35GL-19-0582
Speaker Tina Rose Muña Barnes
JUN 0 4 2019
Time 3:25 ( )AM (/)PM
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Gumai pribilehu yan konfedensia este siha na mensåhi. Solo espesiåtmente para hågu ma entensioña pat ma aturisa para unrisibi. Sen prubidu kumu ti un ma aturisa para mantibisa, na'åetbe, pat mandespåtcha. Yanggen lachi tinisibu-mu nu este na mensåhi , put fabot ago' guatu gi I numa'huyong gi as speaker@guamlegislature.org yan despues destrosa todu siha I kopian mensåhi. Si Yu'os ma'åse'.

---------- Forwarded message ---------
From: **Austin Grant** <austin.grant@investguam.com>
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Subject: GEDA 2018 Citizen Centric Report
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Cc: Melanie Mendiola <mel.mendiola@investguam.com>, Artemio Ricky Hernandez <a.hernandez@investguam.com>

Håfa Adai Speaker Muña Barnes,

Pursuant to Public Law 30-127, the Guam Economic Development Authority submits its Citizen Centric Report (CCR) for fiscal year ended September 30, 2018.

The report can also be found on our website at www.investguam.com

Please do not hesitate to contact us if you have any questions or concerns.

Si Yu'os Ma'åse!

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GEDA Letter to Speaker RE CCR 2018.pdf
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LOURDES A. LEON GUERRERO
Governor of Guam
I Maga'Haga Guahan

JOSHUA F. TENORIO
Lt. Governor of Guam
I Segundo Na Maga'Lahen Guahan

GUAM ECONOMIC DEVELOPMENT AUTHORITY
America in Asia
Aturidåd Inadilånton Ikunumihan Guahan

MELANIE MENDIOLA
Chief Executive Officer/Administrator

ARTEMIO "RICKY" HERNANDEZ
Deputy Administrator

June 4, 2019

The Honorable Muña Barnes
Speaker, 35th Guam Legislature
Guam Congress Building
163 Chalan Santo Papa
Hagatna, Guam 96910

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Si Yu'os Ma'åse!

Melanie Mendiola
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2018 Citizen Centric REPORT

GUAM ECONOMIC DEVELOPMENT AUTHORITY
America in Asia
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 29 employees.



MELANIE MENDIOLA
Chief Executive Officer/Administrator
Ge'helo' Ekseketibu Ofisiåt



ARTEMIO HERNANDEZ
Deputy Administrator
Sigundo Ge'helo'

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.

1 ABOUT US
GEDA MISSION
CONTACT INFORMATION

2 BUSINESS DEVELOPMENT
PUBLIC FINANCE
LOANS

3 REAL PROPERTY
COMMERCE & ECONOMIC DEV.
FINANCIAL DATA

4 2019 INITIATIVES
PLANNED PROJECTS
ISSUES AFFECTING GEDA

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

2 Trade Missions in 2018 resulted in:

Discussions with prominent Philippine businesses to encourage further investments in Guam related to hotel development and tourist entertainment.

Additional flights between Philippines and Guam thorugh Philippines Airlines with the potential to include service between Guam and Japan.

Discussions with Taiwan civic and business leaders for the development of new industries or strengthen existing industries in Guam. These meetings included Taiwan President Tsai Ing-Wen and Taipei Mayor, Ko Wen-Je.

45 year commemoration of the Sister-City Relationship with Taipei. A new Letter of Agreement was signed for friendly exchanges of Economy, Tourism and Culture.

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 Orders 2018-02, 2018-06, 2018-08 initiating and extending a moratorium of the renewal of QCs. EO 2018-08 indefinitely suspended all renewals until a new EO is issued or legislation is passed revoking the moratorium.

The 34th Guam Legislature extended the moratorium on all QC renewals until September 2019 and included a provision that requires their approval of new QCs prior to submission to the governor for approval.

GUAM PRODUCT SEAL
PROGRAM

62 Guam Product Seal (GPS) permits were issued in 2018 to local manufacturers.

GEDA held 2 "Made in Guam" fairs and participated in the Guam Visitors Bureau inaugural InstaGuam Fair promoting Guam as a world-class tourist destination as well Guam's local manufacturers with the distribution of GPS items.

Through these events GEDA reached thousands of potential consumers for their permit holders and strengthened the GPS brand.



SPECIAL
PROJECTS

1. 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.

2. State Trade Expansion Program (STEP)

GEDA was awarded a $150,000 grant from the U.S. Small Business Administration to develop a comprehensive export development program from October 2018 - 2020. The program will educate and guide up to 10 Eligible Small Business Concerns (ESBC) interested in expanding their operation. The program will also include accompanying of five ESBCs to an international trade show in Asia.

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. GEDA is targeting the opening of the Film Office in 2019.

Public FINANCE

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

GUAM WATERWORKS AUTHORITY (GWA)
BOND REFUNDING (DEC'17)

GWA, GEDA, and the Fiscal Team successfully sold **$107.7M** GWA Water and Wastewater System Revenue Refunding Bonds at a record low All-in True Cost of **4.06%**, saving GWA approximately $10.4M equating to 9.65% savings.

GUAM POWER AUTHORITY (GPA)
BOND REFUNDING (DEC'17)

The Tax Cuts and Jobs Act (TCJA) of 2017 prohibited the execution of tax-exempt advance refunding after December 31, 2017 prompting the refinancing of the 2010A GPA Bonds in advance of the deadline. The GPA Revenue Refunding Bonds, 2017 Series The closing of the **$148.7M** took place on December 21, 2017. The bonds were sold at a record low All-in True Cost of **4.12%** and total net cash flow savings of $11.5M equating to a 5.17% savings.

PORT AUTHORITY OF GUAM (PAG)
NEW MONEY FINANCING (JUL'18)

P.L. 34-70 authorized a **$72.6M** financing for PAG to cover critical repairs to PAG facilities and to refinance two outstanding loans. PAG and GEDA successfully sold a total of **$71.44M** of PAG Revenue Bonds, at an All-In True Cost of **4.47%**. PAG received the lowest tax-exempt 30-year spread to the benchmark (MMD) of any uninsured Guam

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
GPA BONDS	BBB	BBB-	Baa2
GWA REVENUE BONDS	A-	BBB-	Baa2
HOTEL OCCUPANCY TAX REVENUE BONDS	A-		

*MAINTAINED CURRENT RATING

THE TAX CUTS AND JOBS ACT (TCJA)
IMPACT ON GOVGUAM RATING (MAR'18)

S&P: Placed GovGuam General Obligation and lease bond rating on "Credit Watch" with negative implications due to the enactment of the TCJA which reduced Guam's income tax collections by $67M in the current fiscal year. After sharing GovGuam plants to address the TCJA impact, S&P placed the bonds back on Stable Outlook.

MOODY's: Changed their outlook on GovGuam's Issuer Rating from table to negative as well as their outlook on GWA, GPA and GIAA from stable to negative. It was not til 2019 that Moody's changed their outlook to "stable" reflecting steps taken by GovGuam to stabilize its finances.

State Small Business CREDIT INITIATIVE

GEDA received approval of the **$13,227,911 U.S. TREASURY FUNDING** for the Guam Small Business Credit Initiative Program that provides access to capital that they **may not otherwise be able to obtain** on their own. GEDA established a network of participating banks and credit unions to leverage these funds and assist in dispensing these resources to the community by the use of a loan guaranty.

IN 2018, GEDA HAS DEPLOYED:

$8.8M
TO SUPPORT LOANS CIRCULATING

$15M
NEW MONEY INTO GUAM

539 + 638
NEW JOBS CREATED & RETENTION OF JOBS

32 of the loans granted since the program launch have been fully paid putting $3.1M back into the SSBCI loan program to be recycled for new loans.

PRIVATE ACTIVITY BOND
PROGRAM

The FY 2018 carry-over amount plus previosu amounts carried forward now allows for approximately **$258.2M** will be available for approved activities.

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.

CHAMORRO LAND TRUST COMMISSION PROPERTIES

A Memorandum of Understanding was issued and approved in 2018 for general consultancy and property management services for commercial land leases which could potentially generate of $300K in management fees for GEDA annually if properties identified for commercial use are realized by CLTC and the Legislature.

$260K GRANT
BOAT RAMP FEASIBILITY STUDY & DESIGN

U.S. 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. Design is currently at 30% completion which will be forwarded for regulatory review in order to finalize a 100% design for construction.

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

500-700	$21M	$52M+	$2M+
JOBS ANNUALLY	IN PAYROLL	GROSS SALES	GRT

Average based on annual surveys conducted.

OVERALL LEASE REVENUE
Industrial Parks, GALC, & CLTC leases

$1.2M
FOR GEDA'S OPERATING REVENUES

GUAM ANCESTRAL LANDS COMMISSION MOU LEASES
October 2007 - September 2018

$5.6M	$900K
COLLECTED IN RENT	REMITTED TO GEDA



Hot Bond Completed Projects: Hagåtña Swimming Pool, Malesso Bell Tower, Inarajan Community Center, Hagåtña Tennis Facility

HOT BONDS
P.L. 30-228

$55M
ISLAND WIDE CAPITAL IMPROVEMENT PROJECTS

GEDA has completed nearly all of the Hot Bond projects . The remaining projects anticipated for conclusion in 2019 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.

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.

*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*
- *Review of economic guidelines for Guam's Economic Opportunity Zones (EOZ)*

Financial DATA

GEDA OPERATING REVENUES
FY18 $2,203,902
FY17 $2,615,308*
-15.73%

GEDA OPERATING EXPENSES
FY18 $2,869,154
FY17 $3,402,768*
-15.68%

FY2017/ FY2018 GEDA REVENUES & EXPENSE COMPARISON

REVENUE BY SOURCE	FY17 (AS RESTATED)	FY18
Industrial Parks	$1,171,329	$1,234,109
Qualifying Certificate	$646,910	$635,141
Bond Fees	$249,378	$501,486
GALC	$105,278	$115,956
Other	$469,175	$132,306

EXPENSE BY CATEGORY	FY17 (AS RESTATED)	FY18
Personnel Expense	$2,793,558	$2,152,138
Legal & Professional Services	$237,960	$205,778
Office Space & Equipment Rental	$169,490	$226,224
Travel	$92,238	$84,351
Advertising & Promotions	$19,041	$12,664
Miscellaneous	$90,481	$107,999

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

Fiscal Year 2019 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.

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 2019 trade missions include: China (March), Manila (April), Taiwan (August), Vietnam and Indianapolis (October).

SMALL BUSINESS DEVELOPMENT
In reaffirming GEDA's commitment to support local manufacturers, farms and business people, BDD will spearhead projects in several small business development activities aimed at growing and providing more opportunities for local entrepreneurs.

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 2019.

AGRICULTURE ACCELERATOR PROGRAM
GEDA is spearheading the "Farm to Cafeteria" program in an effort to bring in locally grown fruits and vegetables into Guam's local schools. This pilot program is gearing up to be launched by Sept of this year for Okkodo High School and Ordot Elementary with the intent to roll out to more schools in the coming months.

STEP GRANT
BDD will engage in a cooperative arrangement with the Guam Small Business Center to provide training opportunities and workshops to local small businesses that are looking to start or to expand their business to include export of goods and services from Guam.

OPPORTUNITY ZONES
GEDA has taken the lead to inform key groups such as realtors, mayor's council, and potential investment groups. The incentive established by Congress in the Tax Cuts and Jobs Act of 2017 encourages long term investments in low in-come urban and rural communities nationwide and the US Territories. Guam's first Opportunity Zone project is scheduled for a housing development this year.

COMMUNITY CONTRIBUTIONS PROGRAM
With guidance from the CEO/Administrator and Deputy Administrator, the Compliance and BD Divisions collaborated in developing the QCCC Grant Program which was adopted by the GEDA Board in March 2019. This grant program allows not-for-profit and government entities the ability to apply for funding specific program area interests such as Health Care, Public Safety, Higher Education, Cultural Preservation, Tourist Attractions and/or Projects, or Sports Tourism. The grant program is expected to commence in FY 2020.

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 LAND AVAILABILITY/LOSS
Property leases are the primary funding source of GEDA's operations, with many **locked until 2065**. Without additional properties, it would be impractical for property lease revenues to sustain GEDA's continuing operations and initiatives into the future.

PLANNED PUBLIC FINANCE PROJECTS

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 four times during FY2017 but GEDA was not successful in coming to terms with the proposer.

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.

GUAM SOLID WASTE AUHTORITY
No. 35-21, GEDA is facilitating the financing of a $30 million bond/loan for the purpose of financing a new landfill cell for the Layon Landfill. This financing is a Federal Court Condition of transitioning the GSWA system from the Receivership back to the Government of Guam. This financing is scheduled to be closed by the end of July 2019.

GUAM INTERNATIONAL AIRPORT AUTHORITY
GEDA is working with the GIAAI a current refunding of $21.405 million of GIAA's bonds. If secured, the refunding will produce $1.9 million of debt service savings, or approximately 8.9%. The refunding is authorized by newly introduced Bill 140-35 with a goal to close this financing by the end of August 2019.

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. This project has been put on hold until additional funding is made available to secure the financing.

OTHER PUBLIC FINANCE PROJECTS

DEBT ABSTRACT
The Public Finance Department issued the latest GovGuam Debt Abstract reflecting the government's debt position as of November 2018. 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.

4 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**. Additionally, the U.S. Department of Homeland Security has issued an order that bans any and all new H-2B labor from the Philippines (the main source of Guam's H-2B workforce).

Recently, federal legislation was enacted to provide an avenue for direct, on base military construction projects as well as projects outside the military fences for projects determind to be directly correlated to the military buildup in Guam to obtain H-2B labor. There has been no resolution to H-2B denials for any other local construction projects.

If there is information you would like to see in this report, please contact **Melanie Mendiola** at **melanie.mendiola@investguam.com** or visit us online at **www.investguam.com**.

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