

BOARD OF DIRECTORS REGULAR MEETING
3:00 p.m., Thursday, January 29, 2015
GIAA TERMINAL CONFERENCE ROOM #3

Public Notice

First Notice:

Marianas Variety & PDN—January 22, 2015
Notice to Media – January 22, 2015

Second Notice:

Marianas Variety & PDN—January 27, 2015
Notice to Media – January 27, 2015

AGENDA

1. Call to Order and Attendance
2. Approval of Agenda
3. Approval of Minutes
 - A. December 23, 2014 Regular Meeting
4. Correspondence
5. Old Business
 - A. Status Updates of Capital Improvement Projects
6. New Business
 - A. Approval of FY2014 Financial Audit - Ernst & Young
 - B. Approval of Award - Demolition and Remediation of Various Airport Facilities - Phase 3 - GIAA Project No. GIAA-FY12-01-5 AIP No. 3-66-001-81 & 82 ; IFB No. GIAA-C01-FY15
 - C. Approval of Award - Indefinite Quantity and Indefinite Delivery Contract Print Media Services - IFB No. GIAA-02-FY15
7. Report of Executive Manager
8. Report of the Comptroller
9. Executive Session
10. Public Comments
11. Adjournment

A.B. WONPAT INTERNATIONAL AIRPORT AUTHORITY
Board of Directors Regular Board Meeting
3:00 p.m. Thursday, January 29, 2015
GIAA Terminal Conference Room #3

SIGN IN SHEET

	<u>PRINT NAME</u>	<u>COMPANY/AGENCY</u>
1.	<i>Antonio Taitano</i>	<i>Police</i>
2.	<i>Van Arndt</i>	<i>GIAA</i>
3.	<i>Carlos Bardillo</i>	<i>GIAA</i>
4.	<i>Ed Cano</i>	<i>CF + J / GIAA</i>
5.	<i>VICTOR J. CRUZ</i>	<i>GIAA</i>
6.	<i>FRANK P. TAITANO</i>	<i>GIAA</i>
7.	<i>BENNY BAZA</i>	<i>GIAA</i>
8.	<i>Maria Gayo</i>	<i>EY</i>
9.	<i>Debbie Ngata</i>	<i>EY</i>
10.	<i>John Onedera</i>	<i>EY</i>
11.	<i>James White</i>	<i>EY</i>
12.	<i>Rustico Rosal</i>	<i>EY</i>
13.	<i>Helen Terloje</i>	<i>OPA</i>
14.	<i>EDUARDO MUNA</i>	<i>GIAA</i>
15.	<i>Luis BAZA</i>	<i>HSSG</i>
	<i>J-G. STANLEY</i>	<i>GCBA</i>

— Kuan - Reporter / video

16. FRANK R. SANTOS

GIAA BFC

17.

18.

19.

20.

21.

22.

23.

24.

25.

26.

27.

28.

29.

30.

31.

32.

33.

34.

35.

36.

37.

38.

39.

40.



**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE
A.B. WON PAT INTERNATIONAL AIRPORT AUTHORITY, GUAM**

**Thursday, January 29, 2015, 3:00 p.m.
GIAA TERMINAL CONFERENCE ROOM #3**

1. CALL TO ORDER AND ATTENDANCE

The January 29, 2015 regular meeting of the Board of Directors of the A.B. Won Pat International Airport Authority, Guam ("GIAA" or the "Authority") was called to order by Chairman Untalan at 3:11 p.m. at the GIAA Terminal Conference Room #3, 355 Chalan Pasaheru, Tamuning, Guam, 96913.

Directors Present:

Edward G. Untalan
Martin J. Gerber
Gurvinder Sobti
Lucy M. Alcorn

Offices or positions:

Chairman

Directors Absent:

Rosalinda A. Tolan

GIAA Officials:

Charles H. Ada II
Carlos P. Bordallo
Frank R. Santos
Jean M. Arriola
Victor Cruz
Ed Muna
Benny Baza
Joseph Calvo
Antonio Taitingfong
Franklin Taitano

Executive Manager
Comptroller
Business and Financial Consultant
Air Services Manager
Engineer Supervisor
Airport Operations Superintendent
ARFF Chief
Properties and Facilities Superintendent
Assistant Chief Airport Police
Procurement Supervisor

Michael A. Pangelinan
Eduardo A. Calvo

GIAA Legal Counsel

The Chairman welcomed the presence of Airport tenants, stakeholders, and members of the public who are noted in a sign-in sheet made as an attachment to these minutes.

2. APPROVAL OF AGENDA

The Chairman first announced a recommendation to change the schedule of the agenda, with item 6 A, Ernst & Young ("EY") FY2014 Financial Audit to be presented first, directly after the approval of the agenda. Motion to accept Chairman's recommendation duly made by Director Alcorn, seconded by Director Sobti; motion carried.

3. A.) Approval of FY14 Financial Audit - Ernst & Young

Mr. Jim Whit of EY began his presentation first thanking the Authority for allowing him and his team the opportunity to do a short presentation of the results of the audit that EY has performed on the Guam International Airport Authority.

Mr. Whit first announced that what EY does is issue a report on the Authority's basic financial statements, an "Unqualified Opinion." This means all the balances and disclosures are in compliance with U.S. Generally Accepted Compliance Principles. EY found no material misstatements and no material disclosure errors. Other deliverables that EY had was the report on internal controls or financial recording, and compliance in other matters. EY was happy to report their "Unmodified Opinion" in accordance with Government Auditing Standards. EY did have one finding regarding timeliness of recorded depreciation of close-outs of Capital Assets; however, it was not a material finding.

The second part of the presentation was on the Report on Compliance for each Major Federal Program and Report on Internal Control of the compliance and report of the schedule of expenditures of Federal Awards. EY was happy to say that their report was "Unmodified" in accordance with the U.S. Office of Management and Budget (OMB) Circular A-133. EY has no findings in respect to the two major programs; the Airport Improvement Program, and the Community Facility Guaranteed Loan. EY was happy to indicate that in their opinion, the Authority qualified as a low-risk designee for Fiscal Year 2015, all things considered. Mr. Whit said that the Authority is on the right track for low-risk designation, which is "very good."

Mr. Whit then brought to the Board's attention several points of interest in respect to the financial statements. In comparison of 2012, 2013, and 2014 of the Authority's cash position, there is a healthy trend; a healthy cash position. Of the total cash in 2014, \$2.5M was unrestricted, an increase from \$1.6M the prior year, and \$518,000 in cash being held on behalf of Customs and Quarantine. In respect to investments, there is a healthy trend there as well, 2012, 2013, and 2014 according to EY findings. The significant reason for this increase in investments is because in 2013, the Authority had the Bond refinancing.

Mr. Whit then went on to present other points of interest, which were Trade Receivables. In Accounts receivable, there were balances of \$8.1M as Gross Receivable, before any allowance for doubtful accounts consideration, \$10.1M, and \$8.9M. Mr. Whit reported, points of interest in allowance for doubtful accounts has increased in comparison to prior years; prior years of \$1.8M in allowance increased to \$1.9M. The average collection period for the Authority is increasing according to Mr. Whit's report. The average time the Authority needs to collect receivables has increased from 40.7 days to 44.48 days, which Mr. Whit said was indicative of a trend of 2014, the aging of the Authority's receivables; 32% of total outstanding receivables is in the 90-day category. As compared to prior years, where it was only at 22%.

Mr. Whit then asked if there were any questions, and Chairman Untalan then inquired if these trends Mr. Whit spoke of were compared to other Airports, to which Mr. Whit responded that they did not in this audit, EY focused on the net financial value of the Airport Authority's receivables accounts.

Another point of interest Mr. Whit presented on was in respect to the Authority's Capital Improvement Program. In 2012, the Authority had \$16M in CIP, a healthy increase of \$27M in 2013, and then \$25M in 2014. The point of interest Mr. Whit focused on was that of the total cost, \$16M, the Authority was able to fund \$6.3M of Capital Grants, with a difference of \$10M, which was funded by the Authority's own internal resources. In 2013 the trend continued with the difference between the cost and what was funded by grants again being approximately \$10M. That trend increased to \$14M in 2014; in 2014, the Authority's cost of \$25M and of which \$11M was covered through Capital Grants. Mr. Whit reported that the trends, or the Authority's ability to have internal resources, were healthy findings.

In respect to the loans and the bonds, there is the Bank Loan, and then the Bond Indenture. Both require a debt coverage ratio of at least 1.25%, which the Authority was able to meet for both Bonds, which Mr. Whit informed the Board that was "healthy." The point of interest here, according to Mr. Whit, is the \$148M of the \$250M, a change of \$100M from the Authority's Bond refinancing, and previous files show that the Authority has increases in Capital Projects as well, a correlation.

In respect to Operating Revenues, the key point of interest according to Mr. Whit was Concession Revenues in 2013, the Authority showed \$18M in revenues in Concession Agreements, which increased to \$23M; a \$5M increase, which was attributed to the terms with the new concessionaire.

In respect to revenues in regards to Facility Usage, Rental Income, and Miscellaneous, there is a noted decrease which was most likely attributed to a decrease in

enplanements from 2013 to 2014. Mr. Whit then asked if there were any questions. There were none.

Mr. Whit then moved on to operating costs, expenses, and changes in said division. Healthy trends were noted; in 2012, total expenses exceeded revenues. As a result, the Authority experienced a decrease in overall net position of roughly \$395,000. In 2013, the situation reversed and as a result, the higher revenue over expenses resulted in a net position of \$15M. In 2014, there was a slight change, and the Authority's net position in revenues over expenses went down to \$11.4M. Mr. Whit attributed this to two things: contractual services (a \$1M difference), and a decrease in Capital grants of about \$4M.

The significant point of interest Mr. Whit stated, was the projected outcome of 2015, which has to do with New Accounts interim. In a new accounting year, there is a Government Accounting Standard Policy that goes into effect which has to deal with the measurement and recognition of the Authority's share of the unfunded pension liability. Essentially, GIAA's share of the Government of Guam's pension would be approximately \$38M. This would show on the Authority's financial statements at the beginning of the new accounting period, essentially October 1, 2014. Although the financial statement that is projected shows a net position of \$327M, essentially, one day thereafter, because of the implementation of this accounting policy, the Authority's net position will go down to \$296M a change of \$30M. Chairman Untalan then stated that it was important to note that this practice is expected to affect all Government agencies, not just the Authority. Mr. Whit then asked the Board if there were any questions. There were none, but the Chairman did proceed to note that the good news was that the Authority still had unrestricted positive accounts. Mr. Whit agreed, commenting that the Authority's overall assets exceed its liabilities by \$296M.

In conclusion to Mr. Whit's presentation, he informed the Board and Management that beginning December 26, 2014, there was new guidance over the grant with the point of interest being that the threshold changes for requirements of single audit from \$500,000 to \$750,000. The Authority will still have to undergo the single audit, but EY did want to inform the Authority that the new guidance does allow for the de minimus 10% indirect cost reimbursement. Also, the data collection form shall be sent in 30 days after receipt of the audit report, or nine (9) months after the fiscal year; whichever comes first. To maintain a low-risk auditee designation, the submission of the data collection form on time is now a criteria. Mr. Whit then informed the Board that EY would issue the financials by January 30, 2015, which would give the Authority 30 days thereafter to have the data collection form reviewed, approved, and then submitted.

Chairman Untalan then requested that Mr. Whit expand on the indirect cost rate. Mr. Whit went on to say that the indirect cost rate that the Authority has chosen not to seek

reimbursement of direct costs as it relates to grants. Under the new guidance there is a de minimus 10% that the Authority could get, if it so chose to submit notification to the awarding agency. Mr. Whit asked if there were any questions, there were none. He then thanked the Board and all who were present for their time and attention, with special thanks to the Authority's accounting and administration departments for their excellent cooperation. Chairman Untalan then formally thanked Mr. Whit and present EY staff on having done a great job, as well as the Public Auditor. Chairman also wanted to note for the record that the Public Auditor had mentioned during the exit interview that the Authority continues to be the first Government Agency to submit and complete their audit, which is a great achievement. He then congratulated Mr. Carlos Bordallo, Comptroller, and Mr. Charles H. Ada II, Executive Manager on a job well done.

4. APPROVAL OF MINUTES

A. December 23, 2014 Regular Meeting

The next item on the agenda was approval of the minutes of the December 23, 2014 meeting.

On motion duly made by Director Alcorn and seconded by Director Sobti, the minutes of the December 23, 2014 regular meeting were unanimously approved, subject to correction. Motion unanimously passed.

Resolution No. 15-12

The Board hereby approves the minutes of the December 23, 2014 regular meeting, subject to correction.

5. CORRESPONDENCE

The next item on the agenda was Correspondence. Chairman Untalan asked Executive Manager Ada if he had any correspondence to report of, Executive Manager Ada responded that the only correspondence of significance that he had was regarding an email on January 27, 2015 from Mr. Ronnie V. Simpson, Manager for the Honolulu District Office, FAA Western Pacific Region, in which Mr. Simpson informed Mr. Ada of his intent to arrive on island March 26, 2015 with Mr. Mark McCurdy, Manager of the Airports Division, Western Pacific Region, Region 9, along with Mr. Eduardo A. Angeles, Associate Administrator for FAA; who requested a courtesy visit with Chairman Untalan and Mr. Ada as well as Governor Eddie B. Calvo. Executive Manager Ada reported that the main focus of the visit is to visit with the CNMI, but they would also like to see the progress the Authority has with its projects, as well as discuss future development of the Airport. Once the date is confirmed, Executive Manager Ada intends to brief the Chairman and the rest of the Board.

6. OLD BUSINESS

The next item on the agenda was Old Business.

A. Status Updates of Capital Improvement Projects

The first matter discussed was the Status of Capital Improvement Projects. Mr. Frank Santos, Business and Finance Consultant, presented three schedules; the first dealing with the UDO analysis FAA projects, the second, the Capital Improvement Fund, and last, the Bond CIP Fund.

Mr. Santos began with bringing to attention the total amount on the grants increased by approximately \$816,153 which is attributed to an amendment to a grant that was closed out under the AIP 84 which had to do with the Rehabilitative Runway 6L/24R - Phase 2. For the period of 2012 to 2014 Mr. Santos reports that the Authority is on track with the FAA in terms of performance. For 2011, projects are a little behind due to demolition work. The Board is to be presented with a package regarding Phase 3 demolition of the old cargo building in this meeting, and consider its award. A third building, categorized as historic which the Authority has worked out all details in terms of photography and drawings with State Historic Preservation Office (SHPO) so that it may be filed in the Library of Congress, has now begun its demolition. Mr. Santos reported that with these actions, the Authority should be cleared in terms of catching up with 2011 grants, which expire at the end of this fiscal year.

Commenting on the Auditors' financial report, regarding the 10% indirect cost, Mr. Santos reported that there is only a certain amount of money available for grants. The Authority always has more need than there are funds; so that said, even if the 10% indirect cost were considered, Mr. Santos believes that the Authority would be eating into construction costs, or actual production costs.

Mr. Santos then proceeded to report on the Capital Improvement Fund, that the Authority is proceeding with approximately thirteen (13) additional homes regarding noise mitigation/soundproofing. The Authority is funding the project in advance and expects to receive the FAA grant in Summer 2015. Mr. Santos reported that the painting of the Airport is in progress, and the rest of the restrooms should be out for bid by February 11, 2015.

The final schedule presented was the Bond Projects. The Outbound Baggage System Inline Screening project was just initiated January 27, 2015, a \$26M project, of which \$1.1M is being funded by the Authority, and the remainder by the TSA Other Transactions Agreement Grant. Chairman Untalan inquired if the Guam Council on the

Arts and Humanities Agency (CAHA) was involved in any way with said grant, to which Mr. Santos replied that they were not.

Mr. Santos went on to inform the Board that the funding to cover the seismic upgrades for the International Arrivals Corridor project came out of the unencumbered fund, which has \$2.2M remaining. Mr. Santos went on to address bid additives; focusing on basic design criteria but looking at features that will enhance passenger experience. Mr. Santos noted on the hopes of receiving continued good bids, at a very low rate. Mr. Santos mentioned a bid period of two (2) to three (3) months, with a possibility of a pre-file set of drawings that can be packaged up and sold prior to bid. Chairman Untalan asked for further clarification, to which Mr. Santos replied, that sold meant cost recovery. Mr. Santos explained that this method would allow for the overall outcome of the bids to be more favorable, giving the interested parties more time to be informed and prepared to offer their prospective bids.

The Chairman then asked the Board and attendees if there were any questions, there were none. He then thanked Mr. Santos.

7. NEW BUSINESS

The next item on the agenda was New Business.

A. Approval of Award - Demolition and Remediation of Various Airport Facilities - Phase 3 - GIAA Project No. GIAA-FY12-01-5 AIP No. 3-66-001-81 & 82 ; IFB No. GIAA-C01-FY15

The next item discussed was approval of the contract award for the Demolition and Remediation of Various Airport Facilities - Phase 3 - GIAA Project No. GIAA-FY12-01-5 AIP No. 3-66-001-81 & 82; IFB No. GIAA-C01-FY15. The project is to provide construction work inclusive of all labor, materials, supplies and equipment to demolish certain former naval housing and miscellaneous structures contained within Lot 2087. The project also included remediation of lead and asbestos materials prior to demolition work. A total of eleven (11) firms/individuals picked up bid package with six (6) firms having submitted their bids before the established deadline. The firms were evaluated and all six (6) were determined to be acceptable. As required by the Procurement Rules and Regulations, the bids were publicly opened and read aloud in the presence of bidders.

It is the recommendation of the Management that the contract award of \$223,000.00 to Maeda Pacific Corporation, who has been determined to have met the standards of responsibility and responsiveness in Guam Procurement Regulations.

On motion duly made by Director Sobti, seconded by Director Gerber, the following resolution was unanimously approved:

Resolution No. 15-13

The Board hereby approves the ranking results and contract award in the amount of \$223,000.00 to Maeda Pacific Corporation, as the highest ranked proposer for the Demolition and Remediation of Various Airport Facilities - Phase 3 - GIAA Project No. GIAA-FY12-01-5 AIP No. 3-66-001-81 & 82; IFB No. GIAA-C01-FY15, subject to fair and reasonable fees and legal review. If negotiations prove unsuccessful, Management can enter into negotiations with the next highest bidder.

B. Approval of Award - Indefinite Quantity and Indefinite Delivery Contract Print Media Services - IFB No. GIAA -02-FY15

The next item presented to the Board was the approval of contract award for the Indefinite Quantity and Indefinite Delivery Contract Print Media Services - IFB No. GIAA -02-FY15. The Executive Manager informed the Board that an Invitation for Bid was announced to solicit bids from firms to provide all labor, supplies, materials, and equipment necessary for the Indefinite Delivery and Indefinite Quantity Contract Print Media Services in a newspaper of general circulation for the A.B. Won Pat International Airport. Three (3) firms/individuals purchased bid package and two (2) firms submitted bids before the submission deadline. The firms were evaluated and two (2) were determined to be acceptable. As required by Procurement Rules and Regulations, the bids were publicly opened and read aloud in the presence of the bidders.

Management recommends that the Board approve both bidders, Pacific Daily News and Marianas Variety, who have been determined to have met the standards of responsibility and responsiveness outlined in Guam Procurement Regulations.

After further discussion, on motion duly made by Director Alcorn, seconded by Director Gerber, the following resolution was unanimously approved:

Resolution No. 15-14

The Board hereby approves the contract award - Indefinite Quantity and Indefinite Delivery Contract Print Media Services - IFB No. GIAA -02-FY15, to utilize both the Pacific Daily News and Marianas Variety, subject to fair and reasonable fees and legal review. If negotiations prove unsuccessful, Management can enter into negotiations with the next highest bidder.

8. REPORT OF THE EXECUTIVE MANAGER

The next item on the agenda was the report of the Executive Manager. Executive Manager Ada began his report with four airline issues. First was Jeju Air, regarding their direct Busan/Guam inaugural flight, which arrived from Busan at 2:55 a.m., January 9, 2015. This flight will operate twice weekly utilizing a B737-800 aircraft with seat capacity of 186. Jeju Air rival, Air Busan a low-cost carrier, has asked the Department of Transportation for permission to operate the route by June 30, 2015. Air Busan filed its application to serve US destinations in December, with the intent of offering four (4) flights per week to Guam using either an Airbus A320 or A321. Air Busan also said that they may introduce service to Hawaii or the US mainland, and also asked for permission to operate charter flights to US airports. So far, no comments have been filed regarding the application. June Yao, a boutique privately owned airline, met with Airport representatives on January 12, 2015 for potential air services to China. Potential start dates to Guam are pending a formal application to the US Department of Transportation. The last issue regarding Airlines was the increase in flights for Eva Air, from two (2) to four (4) weekly beginning July 1, 2015. They currently operate an Airbus 330-200 which has a 252-seat capacity.

Executive Manager Ada moved onto regulatory issues next, reporting on the FAA awarding a grant amendment in the amount of \$816,153.00 in federal funding to rehabilitate runway 24R/6L. Executive Manager Ada reported that this will bring the Authority closer to opening the runway for full operations accommodating long-range, fully loaded aircraft and even newer aircraft models. The Chairman inquired as to the date of completion, to which Mr. Frank Santos responded that it is projected to be operational in August.

In closing of his report, Executive Manager Ada brought to the Board's attention the RFP for Legal Services which was announced January 6, 2015 with a submission deadline on January 22, 2015. Management was in the process of reviewing submissions. Executive Manager Ada then reported on and thanked all involved in Airport week and all related activities. He also mentioned the Authority's participation on January 27-28, 2015 in the Kontra I Piligru 2015, a multi-agency full scale exercise as outlined by the Pacific-based Civil Support Teams (CST) to test and evaluate the Authority's operational capability during various emergency situations and scenarios. Executive Manager Ada then mentioned the Tourism Education Council's (TEC) request for tours for members of their WAVE (Wave at Visitors Enthusiastically) Clubs of participating public schools. Approximately 800 children will tour the Airport on the Tuesday tours throughout the months of February and March. Executive Manager Ada ended his report with the outcome of recent drug testing of persons in Test Designated Positions (TDP) which resulted in a 100% pass rate.

The Chairman then thanked the Executive Manager for his report.

9. REPORT OF THE COMPTROLLER

The next item on the agenda was the report of the Comptroller.

Mr. Bordallo presented the monthly financial report. He reported to the Board on the revenues and expenses of the Authority as of December 31, 2014. Mr. Bordallo reported that year-to-date Total Signatory Revenues are above budgeted revenues by .5%, year-to-date Total Concession Revenues and Passenger Facility Charges are under budget by -5.4% and -3.3%, respectively. Year-to-date Total Other Revenues, inclusive of non-signatory and non-airline revenues are above the budget estimate by 5.5%. Year-to-date Total Operating Revenues Actual of \$16.7M is -.4% below the budget estimate of \$16.8M. Year-to-date Total Operating Expenses are below budget by -19.5%. Components of this line item include a -15.6% decrease in Personnel Service, a -19% decrease in Contractual Services, a -72.2% decrease in Materials & Supplies and -0.0% increase/decrease in Equipment/Furnishings from budgeted amounts for these respective categories. The actual year-to-date New Revenues from Operations of \$7.8M reflects an increase of 36.7% over the year-to-date budgeted amount of \$5.7M. Finally, Mr. Bordallo reported that the year-to-date Debt Service Coverage is at 1.40 versus the requirement of 1.25.

10. EXECUTIVE SESSION

The next item on the agenda was Executive Session.

Upon written recommendation of counsel, on motion duly made by Director Alcorn, seconded by Director Sobti, and unanimously approved, the Board recessed to convene into Executive Session at 4:08 p.m.

On motion duly made by Director Gerber, seconded by Director Alcorn, unanimously approved, Executive Session adjourned at 5:15 p.m, at which time the Board reconvened the regular session.

10. PUBLIC COMMENTS

The next item on the agenda was Public Comments. Chairman Untalan called upon any public member wishing to make comments. There were no comments from the public.

The Chairman brought to the Board's attention an item that they had forgotten to make a motion on, which was to approve and accept the 2013-2014 Audit Report. On motion duly made by Director Alcorn, seconded by Director Sobti, the following resolution was unanimously approved:


Resolution No. 15-15

The Board hereby approves the 2013-2014 Audit Report as presented by Mr. Jim Whit of Ernst & Young.

11. ADJOURNMENT

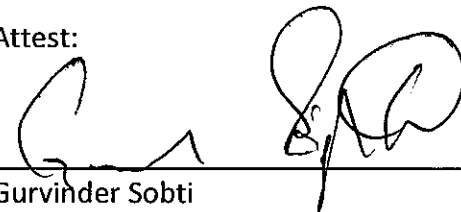
There being no further business to address before the Board, on motion duly made by Director Alcorn, seconded by Director Tolan, at 5:17 p.m., the meeting was adjourned.

Dated this 16th, day of April, 2015.



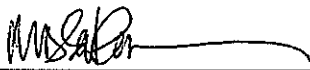
Edward G. Untalan
Chairman

Attest:



Gurvinder Sobti
Secretary

Prepared and Submitted By:



Maria DeVille Sablan
Corresponding Secretary