



Cruz to Calvo: “Don’t Pay for What GDOE Can’t Use”

LETTER URGES GOVERNOR TO RE-NEGOTIATE TIYAN LEASE AGREEMENT

(Hagåtña - May 18, 2017) Why are we paying good money for buildings in Tiyan we can't use nor ever have? That's the question posed by Committee on Appropriations Chair Speaker Benjamin J.F. Cruz in his latest correspondence to Governor Eddie B. Calvo this morning.

Describing the negotiation as a “disservice to the People of Guam,” Cruz urged the Governor to re-negotiate the controversial “sweetheart deal” with Core Tech International (CTI) – noting that, throughout Tiyan’s continual delays, Guam’s taxpayers remain stuck footing the bill for facilities that have yet to be completed.

“It has been over two and a half years since you signed the Amended and Restated Lease Purchase Agreement (Lease/Purchase Agreement) between Core Tech International (CTI) and the Government of Guam on November 6, 2014,” said Cruz to Calvo. *“Today, we continue to see the direct financial impact of such unilateral deal-making with CTI to the tune of \$10.1 million in lease payments on January 1 of each year.”*

According to Cruz, out of the figure above, \$2.8 million was used to pay for the New GDOE Central Office building – a facility that has yet to be completed. Moreover, while the Lease/Purchase Agreement clearly states a two-year deadline, neither the new warehouses nor mezzanines have been built, even though the government of Guam already paid these sums in FY 2016 and budgeted for them in FY 2017. The Speaker contends that CTI’s clear failure to complete construction of the warehouses and mezzanines within the required timeline is a breach of contract, and should be used as leverage for re-negotiation.

“It is incumbent on the Lessor, CTI, to adhere to the requirements in the Lease/Purchase Agreement,” said Cruz. *“Why should the government of Guam make exceptions because of CTI’s poor planning?”*

To save taxpayers money, the appropriations chair proposed that the re-negotiated agreement allow the government to credit back payments made earlier this year as an offset to payments required for next January. Cruz also echoed correspondence he sent to Attorney General Elizabeth Barrett-Anderson last June and suggested that the government be permitted to sever portions of the lease, should it find no use for certain facilities in the future.

Based on a review the chairman conducted in October, over \$1.7 million in estimated lease savings could go toward funding the operation of Guam’s public schools if the government of Guam adjusts the payments schedule for several portions of the lease. As a result, the chairman further committed to drafting legislation that would redirect savings if the lease were re-negotiated.

“As the lead negotiator of the unilateral amendments to the Lease/Purchase Agreement, I suggest that you re-negotiate the Lease/Purchase Agreement such that the government of Guam is compensated for many of the issues related to CTI’s poor planning of the construction of the new facilities it was mandated to complete,” concluded Cruz to Calvo. *“Given the government’s financial woes, it is imperative that such re-negotiation take place as soon as possible.”*

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For more information, please call the Office of Speaker Benjamin J.F. Cruz at #477-2520/1.