



MINA' BEN E. OCHO NA LIHESLATURA GUÅHAN
TWENTY-EIGHTH GUAM LEGISLATURE

Senator Edward J.B. Calvo
SECRETARY OF THE LEGISLATURE

Chairman
COMMITTEE ON FINANCE, TAXATION & COMMERCE

OFFICE OF FINANCE AND BUDGET

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Committee Report on

Bill No. 332 (LS): An Act To Amend §1512 Of Title 5, Guam Code Annotated, Relative To Authorizing The Governor Of Guam, I Maga'låhen Guåhan, To Issue Government Of Guam Bonds For The Purpose Of Paying Certain General Fund Expenses, as introduced by the Committee on Calendar at the request of I Maga'låhen Guåhan in accordance with the Organic Act of Guam.

I Mina' Bente Ocho Na Liheslaturan Guåhan

Committee on Finance, Taxation, and Commerce

Sinadot Edward J.B. Calvo, Ge' hilo

I. OVERVIEW

The Committee on Finance, Taxation, and Commerce held a public hearing on Thursday, July 20, 2006, 9:50 a.m., at *I Liheslaturan Guahan's* Public Hearing Room on Bill No. 332 (LS), "*An Act To Amend §1512 Of Title 5, Guam Code Annotated, Relative To Authorizing The Governor Of Guam, I Maga'lahen Guåhan, To Issue Government Of Guam Bonds For The Purpose Of Paying Certain General Fund Expenses*". Notices for the public hearing were disseminated throughout all local media via facsimile and are attached herein meeting the requirements of the Open Government Law.

a. Committee Members and Senators present:

Senator Edward J.B. Calvo, Chairman
Senator Lawrence F. Kasperbauer, Vice-Chairman
Speaker Mark Forbes
Vice Speaker Joanne M.S. Brown
Senator Ray Tenorio, Member
Senator Adolpho B. Palacios, Member
Senator Judith Won Pat
Senator Benjamin Cruz

b. Appearing before the Committee:

Mr. J. George Bamba, Chief of Staff, Office of the Governor of Guam
Mr. Joe T. San Agustin, Chairman, Board of Trustees, Government of Guam Retirement Fund
Mr. Andreas Jordanou, Acting Administrator, Guam Economic Development and Commerce Authority

Mr. Peter John Camacho, Administrator, Guam Memorial Hospital Authority

Ms. Angelina Anderson, Guam resident

Mr. Artemio Illagan, Director, Department of Revenue and Taxation

Mr. John Camacho, Deputy Director, Department of Revenue and Taxation

Dr. Vincent Taijeron Akimoto, Physician

Mr. Carlos Bordallo, Director, Bureau of Budget Management and Research

c. Testimonies Submitted:

1. Mr. J. George Bamba, Chief of Staff, Office of the Governor of Guam
2. Mr. Joe T. San Agustin, Chairman, Board of Trustees, Government of Guam Retirement Fund
3. Mr. Andreas Jordanou, Acting Administrator, Guam Economic Development and Commerce Authority
4. Mr. Peter John Camacho, Administrator, Guam Memorial Hospital Authority
5. UBS Securities, LLC [*Senior Managing Underwriter for the proposed financing contained in Bill No. 332 (LS)*]

II. SUMMARY OF VERBAL TESTIMONIES:

Chairman Edward J.B. Calvo called the Committee on Finance, Taxation, and Commerce to order at 9:55 a.m. Bill 332 (LS) was the second and last item on the July 20, 2006 agenda and Chairman Calvo acknowledged those individuals signed in to provide verbal testimony on the proposed measure.

Mr. J. George Bamba, Governor Felix Camacho's Chief of Staff and lead representative from the Executive Branch at the committee hearing, provided testimony in support of Bill No. 332 (LS). Mr. Bamba began his testimony by encouraging senators to allow Governor Camacho the authority to pay out an estimate 115,000 tax refunds and more than 35,000 Earned Income Tax Credit payments dating back as far as 1998. Mr. Bamba argued that the refinancing proposal contained in the proposed measure will not add new debt to the Government of Guam, rather, it provides a real commitment by the government to pay down its existing debt, debt that has accumulated for more than 10 years.

The governor's chief of staff continued with his testimony supporting the idea that Bill No. 332 (LS) is a vehicle to consolidate existing debts in order to pay out long over due obligations to the people of Guam while reducing the overall liability due to the lower interest rates in the bond market. According to Mr. Bamba, the Administration anticipates that given the current and anticipated short-term future conditions of the market, the government will be able to reduce the cost of the obligations mentioned in the proposed measure by saving as much as two-and-a-half to three percentage points in interest payments on its larger debts. Mr. Bamba informed the Committee that the refinancing proposal contained in Bill No. 332 (LS) is part of a larger fiscal recovery plan that, when fully

implemented, will allow the government to continue reducing its deficit, meet the operational needs of its agencies and instrumentalities, particularly in the critical areas of health, safety, and education, while strengthening the spending controls that Governor Camacho's administration had established within the existing operations of the local government. *(Mr. J. George Bamba's written testimony is attached for reference)*

Following comments provided by the Governor Camacho's Chief of Staff, Mr. Joe T. San Agustin, Chairman of the Government of Guam Retirement Fund's Board of Trustees, provided testimony also in support of Bill No. 332 (LS). Focusing his statements on Section 9 (iv) of the proposed measure that allocates \$34.9 million in payments to the Government of Guam Retirement Fund for the Guam Public School System and the Guam Memorial Hospital Authority, Mr. San Agustin discussed the actions taken as a result of Public Law 28-38, which sought to address the same issue. According to Mr. San Agustin, Public Law 28-38 allowed several employees from both the Guam Public School System and the Guam Memorial Hospital Authority to retire after they were unable to do so for the past several years. Although the Retirement Fund would have preferred to have received the entire \$34,014,750 over a year ago where the local government would not have had to pay \$4,984,931 in interest payments from July 2005 thru July 2006, its Board of Trustees is seriously concerned with the future financial viability of the Government of Guam as the employer of its members, and therefore, supports the enactment of Bill No. 332 (LS). *(Mr. Joe T. San Agustin's written testimony is attached for reference)*

Guam Economic Development and Commerce Authority's Acting Administrator, Mr. Andreas Jordanou, followed with his testimony supporting Bill

No. 332 (LS). Mr. Jordanou emphasized that the Government of Guam is facing a financial crisis that can no longer be ignored and cannot be addressed by a short-term solution and that any lasting solution will require, at a minimum, considerable discipline on the part of the local government over the next five to seven years and will require extensive interaction with the island's private sector. Super-typhoons, the economic decline in Asia, U.S. federal tax initiatives, September 11th terrorist attacks, and the war in Iraq, according to Mr. Jordanou, have all contributed in some way to the chronic imbalance between the obligations of the local government and the revenues it has available. Since Fiscal Year 1998, the Government of Guam has experienced steady declines in expenditures but even further declines in revenues, resulting in both year-end operating deficits (with the exception of several years) and a cumulative deficit in the General Fund in excess of \$344 million at the end of Fiscal Year 2005. The cumulative deficit is further exacerbated by the local government's Retirement Fund's unfunded accrued actuarial liability of \$1.1 billion.

Mr. Jordanou advised Committee members that rating agencies continue to review and focus on the local government's financial condition and projections. He further emphasized that, a balance budget, deficit reduction and maintenance measures such as a reserve creation or revenue/expenditure initiatives are of utmost importance, in order for the Government of Guam to regain its investment grade status. By improving its fiscal condition, according to Mr. Jordanou, the local government will be on its way to achieving an investment grade rating, which will open up access to affordable funding for capital improvements. Mr. Jordanou summarized his testimony and informed the Committee that an analysis made by his agency shows that the proposed Action Plan's initiatives of Governor

Camacho's administration, coupled with growth in the private sector, are the only road map that can be expected to get the Government of Guam out of its current financial crisis. Although significant growth is expected from the military sector over the next few years, Mr. Jordanou noted that this information was not factored into his agency's analysis as bond rating authorities do not include anticipated growth until actual financials are confirmed and in place. *(Mr. Andreas Jordanou's written testimony is attached for reference)*

Mr. Peter John Camacho, Administrator for the Guam Memorial Hospital Authority (GMHA), provided brief comments in support of Bill No. 332 (LS). Mr. Camacho informed the Committee that his agency has been diligent in ensuring that the payments due to the Retirement Fund, in accordance with Public Law 28-38, have been made. Compliance with this law, Mr. Camacho agrees, allows the employees from Guam's only civilian hospital, to be processed for retirement when the outstanding portions of the contributions owed for them are paid in full. Bill No. 332 (LS), according to Mr. Camacho, would provide the avenue for other employees at GMHA who would like to retire to do so sooner rather than at a later time. *(Mr. Peter John Camacho's written testimony is attached for reference)*

Ms. Angelina Anderson, a resident of Guam, offered her comments in support of Bill No. 332 (LS). Ms. Anderson directed the attention of Committee members to that of her father who was among those in the audience and whose illness prevents him from offering testimony. Ms. Anderson respectfully requested that senators approve the proposed measure so that her father, and many other island residents, could receive their long awaited tax refunds for medical care and to also take care of their personal financial obligations.

Chairman Calvo thanked Ms. Anderson and her father for attending the public hearing and for offering comments concerning Bill No. 332 (LS). Chairman Calvo assured Ms. Anderson that the legislature would work together with the administration and find ways to help take care of the government's financial obligations so that residents, especially those who are sick and who are struggling to make ends meet, can get the relief they need. Chairman Calvo then recessed the Committee hearing until 1:30 p.m.

The Committee on Finance, Taxation, and Commerce resumed the public hearing at 1:46 p.m. Chairman Calvo allowed his colleagues to ask questions or make comments relative to the testimonies presented during the first half of the public hearing.

Senator Ray Tenorio shared his concerns about the inability of the local government to pay out tax returns for the past many years and was seriously troubled by the possibility of the government, again, not being able to take care of future tax refunds. Senator Tenorio was disturbed by any notion that the local government would have to seek another bond in order to pay out future tax refunds because its leaders are unable to reduce its deficit and streamline its expenditures. Senator Tenorio continued and asked representatives from the Department of Revenue and Taxation how much money, with respect to tax refunds, does the government currently owe to island residents. Mr. John Camacho, Deputy Director of the Department of Revenue and Taxation, informed the Committee that approximately \$119 million is the existing balance. Senator Tenorio then asked these same representatives what happened to money that is reserved, on an annual basis, for tax refund payments. Mr. Artemio Illagan, Director of the Department of Revenue and Taxation, informed the Committee

that, historically, money that is reserved for such payments have been redirected to take care of obligations related to the three main priority service areas including education, healthcare, and public safety.

Both Mr. J. George Bamba and Mr. Andreas Jordanou, requested the permission of the Chairman to offer additional comments relative to Senator Tenorio's series of questions. Mr. Bamba and Mr. Jordanou assured the Committee that the idea of borrowing money is not something that the Administration is very pleased with, however, Governor Camacho and his staff understand the severity of the government's financial condition which they inherited. Borrowing money on the bond market, in addition to the other initiatives that will help enhance revenue collection and reduce government operating costs, is an unpopular, but necessary route to take in order to bring closure to years of hardship that these long overdue obligations have caused to too many people.

Dr. Vincent Taijeron Akimoto, a private medical practitioner, provided comments opposing Bill No. 332 (LS). Dr. Akimoto argued that the proposed measure, if passed, will rob those that are unborn of their future, and if the local government is sincere about borrowing, it must first reevaluate its existing human resources organization such as that of GMHA. Dr. Akimoto suggests that there are over 200 individuals employed at GMHA who are non-essential and that the funds used to pay their salaries and benefits could be better spent on critically needed physicians and other allied health professionals. Dr. Akimoto encouraged senators to reduce government expenditures prior to entertaining any idea of obligating future generations with a substantial debt.

Vice-Speaker Joanne Brown shared similar reservations as Dr. Akimoto relative to the government borrowing money on the bond market. Vice-Speaker Brown was also concerned about the ability of the local government to expand priority services such as education, healthcare, and public safety to meet the demands of Guam's growing community, if taxpayers are held responsible for paying a huge debt over a long period of time. Moreover, Vice-Speaker Brown was seriously troubled whether the local government will be able to repay the proposed debt, given its existing financial condition.

Senator Benjamin Cruz followed and also asked questions about the ability of the local government to repay the bond proposed in Bill 332 (LS), when it already has problems funding its current operations. For example, Senator Cruz asked why the Governor's proposed budget for Fiscal Year 2007 has a request of only \$7.5 million for the Medically Indigent Program (MIP), instead of a figure near or above \$20 million, which was required by the Department of Public Health and Social Services just a couple of years ago. Senator Cruz was frustrated that the Governor failed to make a budget request for services such as the MIP based on figures that truly reflected the needs of Guam's indigent community.

Mr. Carlos Bordallo, Director of the Bureau of Budget Management and Research, informed Senator Cruz that funding issues surrounding the MIP are addressed by the Governor's transfer authority.

Senator Cruz continued with questions about the status of the Earned Income Tax Credit (EITC) payments. Mr. Bamba and Mr. Illagan informed the Committee that the EITC is an unfunded federal mandate that has compelled the

local government to seek ways to make payments as a result of decisions made and as required by the courts.

Senator Adolpho Palacios offered his comments in support of Bill No. 332 (LS), reminding his colleagues that the financial obligations of the local government must be addressed once and for all. Senator Palacios was also confident that the millions owed to taxpayers and vendors providing services to the government will be reinvested in Guam's economy.

Senator Judith Won Pat asked representatives from the Guam Economic Development and Commerce Authority about the current bond rating status for the Government of Guam. Mr. Jordanou informed the Committee that the existing bond rating is *Grade B* or two steps above junk bond status.

With no further questions from the Committee or comments from representatives from the Office of the Governor, Chairman Calvo informed and encouraged members of the public that his Committee will continue to accept written testimonies at his office within ten (10) working days following the hearing. The public hearing was adjourned at 3:31 p.m.

III. COMMITTEE RECOMMENDATIONS:

The Committee on Finance, Taxation, and Commerce, to which Bill No. 332 (LS), *An Act To Amend §1512 Of Title 5, Guam Code Annotated, Relative To Authorizing The Governor Of Guam, I Maga'lâhen Guåhan, To Issue Government Of Guam Bonds For The Purpose Of Paying Certain General Fund Expenses*, was referred, is in receipt of an October 23, 2006 letter from *I Maga'lâhen Guåhan* requesting to amend said measure to use bond proceeds for Cost of Living

Allowance (COLA) payments, pursuant to Judge Arthur Barcinas' decision and order in the Rios v. Camacho, Superior Court of Guam case No. SP0206-93. *I Maga'låhen Guåhan* has also requested to include language in Bill No. 332 (LS) to authorize additional spending flexibility.

The Committee on Finance, Taxation, and Commerce, to which Bill No. 332 (LS), *An Act To Amend §1512 Of Title 5, Guam Code Annotated, Relative To Authorizing The Governor Of Guam, I Maga'låhen Guåhan, To Issue Government Of Guam Bonds For The Purpose Of Paying Certain General Fund Expenses*, was referred, does hereby submit recommendations to *I Mina' Bente Ocho Na Liheslaturan Guåhan*, **TO REPORT OUT** Bill No. 332 (LS), as introduced by the Committee on Calendar, at the request of *I Maga'låhen Guåhan* in accordance with the Organic Act of Guam.



MINA BENTE OCHO NA LIHESLATURAN GUÅHAN
WENTY-EIGHTH GUAM LEGISLATURE

Senator Edward J.B. Calvo
SECRETARY OF THE LEGISLATURE

Chairman
COMMITTEE ON FINANCE, TAXATION & COMMERCE

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July 20, 2006
9:30 a.m.

Public Hearing Agenda:

1. **Bill No. 334 (EC):** An Act To Add Section 22435 To Chapter 22 Of Title 5, Guam Code Annotated And To Amend Subsection (L) Of Section 22425 Of Title 5, Guam Code Annotated, Relative To Authorizing The Governor Of Guam, I Maga'lahaen Guåhan, To Issue Government Of Guam General Obligation Bonds For The Purpose Of Refinancing Certain General Fund Obligations And Financing Certain Capital Improvements To The Guam Public School System And The University Of Guam.
2. **Bill No. 332 (LS):** An Act To Amend §1512 Of Title 5, Guam Code Annotated, Relative To Authorizing The Governor Of Guam, I Maga'lahaen Guåhan, To Issue Government Of Guam Bonds For The Purpose Of Paying Certain General Fund Expenses.

Individuals wishing to provide verbal/written testimony, please sign your name on the roster sheet available at the legislative staff table.

Committee on Finance, Taxation, & Commerce
Office of Finance and Budget
 Senator Edward J.B. Calvo, Chairman

TESTIMONY - SIGN IN SHEET

July 20, 2006 Public Hearing
 9:30 a.m.

- **Bill No. 332 (LS):** An Act To Amend §1512 Of Title 5, Guam Code Annotated, Relative To Authorizing The Governor Of Guam, I Maga'láhen Guåhan, To Issue Government Of Guam Bonds For The Purpose Of Paying Certain General Fund Expenses.

<u>NAME</u>	<u>DEPT./ORGANIZATION</u>	<u>ORAL / WRITTEN</u>	<u>CONTACT NO.</u>
<u>George Bamba</u>	<u>Governor's Office</u>	<u>✓ / ✓</u>	<u>688 7807</u>
<u>Andy Jordanou</u>	<u>GEDCA</u>	<u>✓ / ✓</u>	<u>647-4332</u>
<u>Carlos Bernaldo</u>	<u>BPMP</u>	<u>/</u>	<u>47</u>
<u>Sgt. Magan</u>		<u>/</u>	
<u>Law Perez</u>		<u>/</u>	
<u>Peter John Comarho</u>	<u>GMHA</u>	<u>/ ✓</u>	<u>647-2818</u>
		<u>/</u>	
		<u>/</u>	
		<u>/</u>	
		<u>/</u>	



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Felix Perez Camacho
Governor

Kaleo Scott Moylan
Lieutenant Governor

Honorable Edward J.B. Calvo
Chairman, Committee on Finance and Taxation
I Mina Bente Ocho na Liheslaturan Guahan
155 Hessler Street
Hagatna, Guam 96932

JUL 20 2006

Hafa Adai Mr. Chairman and Members of the Committee:

My name is J. George Bamba, Senior Advisor and Chief of Staff to Governor Felix P. Camacho. Thank you for allowing me to present testimony in support of Bill Nos. 332 and 334, which, when passed by this body and signed into law by Governor Camacho, will allow us to pay out an estimate 115,000 tax refunds and more than 35,000 Earned Income Tax Credit payments dating back as far as 1998.

I would like to begin by emphasizing three critical points that I believe must be clearly stated as we begin our discussions on this critical piece of legislation:

1. First, the government of Guam has owed tax refunds to the people of Guam for many years. This has been a perennial problem within the government that existed long before Governor Camacho entered office and unless we make good on this obligation to our people now, we will continue to try to play "catch up."

This government has been borrowing from its people rather than from a financial market that is in the business of lending. What is proposed by way of this refinancing plan is to shift the burden of that borrowing from our people to the government where it belongs.

2. Second, the refinancing proposal before this committee will not add new debt to this government. It provides a real commitment by this government to pay down our existing debt, debt that has accumulated for more than 10 years.

This measure is a vehicle to consolidate existing debts in order to pay out long over due obligations to our people while reducing the overall liability due to the lower interest rates in the bond market. We anticipate that given the current and anticipated short-term future conditions of the market, we will be



- able to reduce the cost of these obligations by saving as much as two-and-a-half to three percentage points in interest payments on our larger debts.
3. Finally, this refinancing proposal is part of a larger fiscal recovery plan that when fully implemented will allow us to continue reducing the deficit, meet the operational needs of this government, particularly in the critical areas of health, safety and education, and strengthen the spending controls that the Camacho Administration has established within the operations of this government.

Consolidating these debts will allow us to immediately pay these obligations, release much-needed tax refunds, EITC payments and Retirement Fund payments for GPSS and GMH. It also will establish an annual debt service payment that this government will have no choice but to pay, thus ensuring that this debt does not continue to add to the deficit. It is the right thing to do for our people at a time when they need their money to meet the increasing cost of living. And it is the fiscally responsible alternative for this government to meet these long over due obligations and establish an annual debt service payment structure that can then be factored into the budget discussions moving forward.

Mr. Chairman and members of the Committee, when Public law 27-19 was signed into law, there was bi-partisan recognition that this government must meet its obligations to the people of Guam. There was a clear understanding that the debts this government incurred has direct impact on the residents of our island; that in effect, this government was borrowing from its people rather than from financial institutions that could afford to lend.

However, despite the decision by the Legislature and the Administration to return to our people the money that was rightfully theirs, our efforts were hampered by legal questions raised by the Attorney General. In an effort to bring resolution to this matter, the Governor took the matter directly to the Guam Supreme Court, which ruled in the favor of the Legislature and the Governor. Subsequently, the Ninth Circuit Court of Appeals has also dismissed the Attorney General's appeal. In both instances, the policy direction set by the Guam Legislature and the Administration was affirmed by the courts.

Mr. Chairman, the obligations of this government to our people were priorities three-and-a-half-years ago... and are even more so today. Two days ago, Governor Camacho signed into law this Legislature's unanimous measure to raise the minimum wage to assist our working families. The recognition by this body that adjustments to the minimum wage were critical to their quality of life is commendable in light of the divisiveness of this issue. But the rising cost of living in the global economy continues to burden our people, especially those who struggle to make ends meet. These are the same people owed tax refunds and EITC payments by this government – our working class. While it is our financial obligation to our people, I believe it also is our moral obligation to provide them access to their money at a time when it is most needed.

The Camacho Administration has made great progress in paying past due tax refunds ranging from the year 2000 through 2003. However, once these obligations were paid, they were almost simultaneously replaced with new refund requirements. In addition, the Earned Income Tax Credits which were ignored by this government for many years. In fact, the only year it was paid out was in 1997, in response to then Senator Felix Camacho's legislation requiring the payment of EITC. We have included EITC payments in this refinancing measure to put to rest a long standing obligation withheld from those in our community whose household incomes will not allow them to meet their cost of living requirements. As he was committed to these payments as a Senator in 1997, Governor Camacho remains committed to ensuring that EITC payments are made to those families.

With the exception of the EITC payment, the uses of the proceeds are primarily for the same purposes and obligations we set out to pay three and a half years ago.

This bill addresses several challenges faced by the government of Guam and the taxpayers of Guam to whom the government is severely indebted:

First, as I mentioned in the beginning of our testimony, is the transfer of debt from taxpayers to the bond market. We are going to pay \$218.35 million in tax refunds and EITC payments. No one can doubt the positive impact this money will have on our economy, once these refunds are paid out. More importantly, many families will be able to provide for their daily needs and hopefully get some relief from their daily struggles – struggles which, to many families are life and death issues.

Second, we will pay off the \$35 million debt that the Guam Public School System and the Guam Memorial Hospital owe the Retirement Fund so that employees at those two agencies can retire. As a residual effect, the \$35 million cash infusion to the Retirement Fund will boost the Fund's portfolio and its ability to invest further so that we can continue to chip away at the unfunded liability. Additionally, it will provide cash flow relief to both of these critical agencies.

Third, we will pay past due power bills for the Guam Public School System, the Guam Memorial Hospital and the streetlights in the amount of \$24.4 million. Aside from clearing these bills and making the threat of power outages in our schools, at the Hospital and on our streets a thing of the past, we will pay off \$24.4 million in accounts receivable that are hampering GPA's ability to finance their plans to bring main transmission and distribution lines underground.

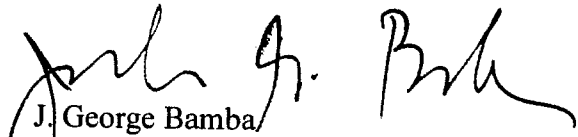
Lastly, we will pay off our existing debts to several General Fund vendors, including those to MIP and Medicaid providers. We cannot stress enough how important it is for this government to honor its debts to medical providers so that these services can continue for the neediest patients in our community. \$22.25 million will retire our debts to these vendors and all them to operate more efficiently.

Mr. Chairman and members of the Legislature, it is my hope that we all agree that our people deserve their money. They have waited for far too long. With the affirmation from our local and federal Courts, we now have a real chance to bring closure to years of hardship that these long overdue obligations have caused too many of our people.

We ask for your expeditious approval of this measure and a shared commitment to the fiscal reforms that Governor Camacho is implementing so that we never find ourselves at this juncture ever again. Let's do the right thing for our people and let's pay them back.

On behalf of our good Governor, *Gof Dankolu na Si Yu'os Ma'ase yan Si Yu'os en Fan' binidisi I Taotao'ta!*

Sincerely,


J. George Bamba
Chief of Staff
Office of the Governor of Guam



GOVERNMENT OF GUAM
RETIREMENT FUND
STABILITY · SECURITY · REWARDS

Felix P. Camacho
Governor

Kaleo S. Moylan
Lieutenant Governor

Paula M. Blas
Acting Director

Trustees:

Joe T. San Agustin
Chairman

Dr. Wilfred P. Leon Guerrero
Vice-Chairman
Investment Committee, Chairman

James J. Taylor, Ph.D.
Secretary
Investment Committee, Vice-Chairman

Katherine T.E. Taitano
Trustee
Treasurer

George A. Santos
Trustee
Members' & Benefits Committee, Chairman

Anthony C. Blaz
Trustee
Audit & Operations Committee, Chairman

Gerard A. Cruz
Trustee

July 20, 2006

Senator Edward J.B. Calvo
Chairman, Committee on Finance, Taxation & Commerce
28th Guam Legislature
155 Hesler Place
Hagatna, Guam 96910

Re: Testimony on Bill 332(LS)

Mr. Chairman, Members of this Committee and other members of the 28th Guam Legislature, on behalf of the Government of Guam Retirement Fund Board of Trustees, my name is Joe T. San Agustin, Chairman of the Board, representing some 17,256 members, of which 6,979 are retirees, appearing before this Committee to testify in reference to Bill 332, "An Act to Amend Section 1512 of Title 5, Guam Code Annotated, relative to authorizing the Governor of Guam, *I Maga'lahaen GUAHAN*, to issue Government of Guam Bonds for the purpose of paying certain general fund expenses".

At the outset, I would like to note for the record that the 17,256 members plus their spouses ($17,256 \times 2 = 34,512$) represent a formidable voting electoral number, which could conceivably make their positions known in the "ballot box". Their current and future retirement livelihood should be of paramount importance to all of us, in "protecting the security and viability of the Retirement Fund". I am confident that we would continue to live up to these challenges and be true to our commitment.

Mr. Chairman and members of this Committee, my testimony would concentrate on Section 9(iv) of the proposed Bill regarding "\$34.9M in payments to the Government of Guam Retirement Fund for the Guam Public School System (GPSS) and the Guam Memorial Hospital Authority (GMHA)".

For the record, \$34,014,750 was initially covered by Public Law 28-38, effective July 2005, as "Retirement Fund Invested Assets", with monthly interest only payments, commencing on July 2005. Principal payments on the \$34,014,750 under this Public Law are to be satisfied thru the contemplated issuance of a General Obligation Bond or alternate means. This milestone

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legislation was thru the leadership efforts of both Governor Felix Camacho and Speaker Mark Forbes and the current members of the Guam Legislature, resulting in allowing several employees of the GPSS and GMHA to retire after being unable to do so for several years.

It should also be noted that since the Retirement Fund has received several payments from both GPSS and GMHA since July 2005 for employees who wanted to retire the \$34,014,750 reflected in Public Law 28-38 has decreased by \$1,094,802. As of June 30, 2006 the total amount due for GPSS and GMHA is approximately \$32,920,000.

As a side benefit, on December 23, 2002, under Special Proceedings Case No. SP0231-02, in the Superior Court of Guam, a Judgment was entered mandating the GMHA to satisfy its promissory note of \$15 million due to the Retirement Fund; an Abstract of Final Judgment, dated January 13, 2003, was issued, and recorded in the Land Records Division of the Department of Land Management. It should be especially noted that with the recordation of such Judgment, a judgment lien was levied on the real estate assets of the individual members of the then GMHA Board of Trustees in their capacities as fiduciaries, namely W. Chris Perez, M.D, Jeanette Tanos, Doreen Crisostomo, Annie Makepeace, Lorena Argallon, Ronald San Nicolas, M.D., Rosie Villagomez, M.D., and David L.G. Shimizu. It is my understanding that some of the cited members attempted to "sell or dispose" their real estate holdings but were not able to do so, unless the "judgment levied lien" is removed. Passage of Bill 332 relating to the Retirement Fund debt, determined by the Court to be the "Judgment Creditor" will legally remove these real estate liens.

Although the Retirement Fund would have "preferred" to have received the entire \$34,014,750 over a year ago, and the General Fund would not have had to pay \$4,984,931 in interest payments remitted to the Fund (from July 2005-July 2006 —reflecting returns of 13.15%), nevertheless, the Board is seriously concerned with the future financial viability of the Government of Guam as the "Employer" of its members, and therefore supports the enactment of Bill 332.

The immediate satisfaction of the \$32,920,000 debt to the Retirement Fund would have a direct impact towards the reduction of the Fund's unfunded liability and its security ratio.

I might point out that thru improved investment returns of 9.3% in 2004 and 9.7% in 2005, the security ratio of 47.90% in 2004 increased to 50.07% in 2005, and upon the passage of Bill 332 to provide an immediate cash infusion of \$32,920,000, and the recent passage of Public Laws 28-135 and 28-136, thru the sponsorship efforts of Speaker Mark Forbes, the Retirement Fund will be able to improve significantly its investment opportunities.

The Board on behalf of its members extends its gratitude and appreciation to Speaker Mark Forbes, Members of this Legislature and Governor Felix Camacho for their continued support, confidence, and trust extended to the Board and Management Staff, headed by Director Paula Blas. We shall continually work with the Legislature under the leadership of Speaker Mark

Forbes and Governor Felix Camacho's Administration to insure the present and future financial integrity, stability, and security of the Fund for its members and their survivors.

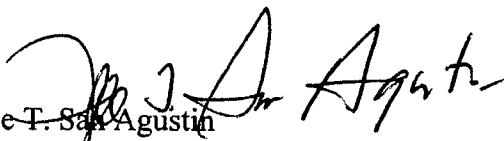
Additionally, I would be remiss if I do not point out some "historical decisions" that will continually cost the Fund approximately \$8 million in "investment opportunity losses" per year for the next twenty years. I am referring to the "Supplemental Annuities Receivables" and "Employers' share of the Early Retirement Incentive Program (ERIP) Promissory Notes Receivables" amounting to over \$96.7M. Currently, the Supplemental Annuities Receivables are being legally reduced by a "miserable and tragic payment of 1.2016 % of total payroll" and the ERIP Notes Receivables by an equally "miserable and tragic payment of 1.31% of total payroll", which are integral parts of the total unfunded liability contribution rate of 21.81%.

Mr. Chairman, and members of this Committee, perhaps, in future legislations, the \$96.7M of Receivables due from the Government of Guam for the Supplemental Annuities and ERIP Notes should be addressed and rectified—possibly amending Bill 332 to include such an amount in the total General Bond Issuance. Such a significant move would dramatically improve the financial security ratio of the Fund and at the same time, General Fund long-term obligations would likewise be reduced.

In concluding my testimony, Mr. Chairman and members of this Committee, allow me to close by reminding each member of this August Body not to forget the FY 2007 Supplemental Annuity, Medicare Reimbursements, etc. to be included in the FY 2007 Budget. Furthermore, we should also think of the impending Court Action regarding the COLA payments (Special Proceeding Case No. SP206-98).

Members of the Board and the Management Staff would be available to respond to any questions from any one of the Members of this Body.

Respectfully,


Joe T. San Agustin
Chairman, Government of Guam Retirement Fund Board of Trustees

Attachments

cc: Members, 28th Guam Legislature
Governor Felix Camacho
Members, GGRF Board of Trustees

GMHA/GPSS RECEIVABLES
As of June 30, 2006

Guam Memorial Hospital Authority	\$ 17,125,468	
Guam Public School System	<u>15,794,479</u>	
	32,919,948	
Public Law 28-38	34,014,750	
Less Payments since July 2005 to enable employees to retire	<u>(1,094,802)</u>	
	\$ 32,919,948	\$32,920,000 Rounded

Public Law 28-38
Interest Only Payments for GPSS and GMHA
As of July 2006

Payments Received as of July 2006:

	Date	GMHA	GPSS	Total Payments Received
1	Jul-05	\$190,501	\$192,955	\$383,456
2	Aug-05	190,501	192,955	383,456
3	Sep-05	190,501	192,955	383,456
4	Oct-05	190,501	192,955	383,456
5	Nov-05	190,501	192,955	383,456
6	Dec-05	190,501	192,955	383,456
7	Jan-06	190,501	192,955	383,456
8	Feb-06	190,501	192,955	383,456
9	Mar-06	190,501	192,955	383,456
10	Apr-06	190,501	192,955	383,456
11	May-06	190,501	192,955	383,456
12	Jun-06	190,501	192,955	383,456
13	Jul-06	190,501	192,955	383,456
Total		\$2,476,515	\$2,508,416	\$4,984,931

Estimated Rate of Return:

	GMHA	GPSS	Total
Monthly Pmts.	\$190,501	\$192,955	\$383,456
	12	12	12
Annual Payments	\$2,286,014	\$2,315,461	\$4,601,475
PL 28-38 Principal Outstanding	\$16,860,142	\$17,154,609	\$34,014,751
Est. Rate of Return	13.56%	13.50%	13.53%

Government of Guam Retirement Fund

<u>Actuarial Valuation Date</u>	<u>Security Ratio</u>
September 30, 1989	39.9%
September 30, 1991	46.2%
September 30, 1993	49.2%
September 30, 1995	61.0%
September 30, 1997	66.5%
September 30, 1998	72.6%
September 30, 1999	64.2%
September 30, 2000	63.4%
September 30, 2001	54.2%
September 30, 2002	47.7%
September 30, 2003	46.16%
September 30, 2004	47.90%
September 30, 2005	50.07%

Other Gov Guam Receivables

As of June 30, 2006

Description	Amount	Agency
1 Supplemental/COLA	\$89,500,000	All General Fund
2 Employer's Share of ERIP Notes Receivable	\$7,200,000	70% is General Fund
Total Due	\$96,700,000	

- A. The receivable for supplemental annuities and COLA payments is being reduced by a portion of the employer contributions received. The percentage used is 1.2016% of covered payroll.
- B. The receivable for the government's share ERIP Notes Receivable is being reduced by a portion of the employer contributions received. The percentage used is 1.31% of covered payroll.



Governor
Felix P. Camacho

Lieutenant Governor
Kaleo S. Moylan

Public Hearing Testimony of Andreas "Andy" Jordanou, Acting Administrator
Guam Economic Development and Commerce Authority (GEDCA)
July 20, 2006
Bill No. 332 (LS)

AN ACT TO AMEND §1512 OF TITLE 5, GUAM CODE ANNOTATED, RELATIVE TO AUTHORIZING THE GOVERNOR OF GUAM, *I MAGA'LAHEN GUÁHAN*, TO ISSUE GOVERNMENT OF GUAM BONDS FOR THE PURPOSE OF PAYING CERTAIN GENERAL FUND EXPENSES

Good Morning, Senator Calvo and members of the Committee on Finance, Taxation and Commerce. My name is Andy Jordanou, Acting Administrator of the Guam Economic Development and Commerce Authority (GEDCA). I am here today to provide testimony in support of Bill No. 332 (LS).

I am here to discuss the purpose and need for this bond financing. If authorized, the financing, in combination with the Governor's Fiscal Recovery Plan, will allow for the following:

- Issue bonds in aggregate principal amount not to exceed the amount necessary to provide \$300,000,000 in net proceeds
- Develop a mechanism to provide the necessary cash to the General Fund to continue to pay existing obligations on a timely basis to include tax refund payments, EITC payments and retirement fund payments to name a few.
- Establish a Rainy Day Fund to be used for unanticipated emergencies, insulating the general fund from revenue interruptions. Balance of the Rainy Day Fund would equate to approximately 2 ½ months of governmental operating costs.
- Implement Retirement Fund reform to include increasing contributions over a period of 5 years until reaching a 26% contribution rate or until contribution matches actuarial recommendation.
- Add/amend certain related provisions of law to put the General Fund on a sound financial course and, over time, to reduce the remaining General Fund deficit and the unfunded liability of the government to the Government of Guam Retirement Fund

The Government of Guam is facing a financial crisis that can no longer be ignored and cannot be addressed by a short-term solution. Any lasting solution will require, at a minimum, considerable discipline on the part of the Government over the next five to seven years and will require extensive interaction with Guam's private sector.

Super-typhoons, the Asian Economic decline, U.S. Federal tax initiatives, September 11th terrorist attacks, SARS and the Iraq War have all contributed in some way to the chronic imbalance between

Guam USA ~ The Ultimate Destination

7-18-06
A.oo
Print Name & Initial
ACKNOWLEDGEMENT RECEIPT
Rec'd by: Edward J. B. Calvo

Government obligations and funds available, which have had widespread repercussions on the Government's capability to provide high quality services and meet its operational responsibilities. Since Fiscal Year 1998, the Government has experienced steady declines in expenditures but even further declines in revenues, resulting in both year-end operating deficits (with the exception of several years) and a cumulative deficit in the General Fund in excess of \$344 million at the end of Fiscal Year 2005. This cumulative deficit is further exacerbated by the Government of Guam Retirement Fund's Unfunded Accrued Actuarial Liability of \$1.1 billion.

The rating agencies continue to review and focus on the Government's financial condition and projections. Now, more than ever, a balanced budget, deficit reduction and maintenance measures such as reserve creation or revenue/expenditure initiatives are of utmost importance, in order for the Government of Guam to regain its investment grade status. By improving its fiscal condition, the Government will be on its way to achieving an investment grade rating, which will open up access to affordable funding for capital improvements.

From 2002-2005, this Administration and the Guam Legislature implemented a number of initiatives to enhance revenue collection and reduce government operating costs. Key initiatives implemented were:

- 2% Increase in Gross Receipts Taxes (reverted back to 4%, April 2004)
- Increase in Alcohol and Tobacco Tax (Various Products)
- Increase in Vehicle Registration Fees
- Implementation of 32-hour workweek
- Reduction of Government holidays from 16 to 10

The majority of the above initiatives were implemented for a period of time, however, the Government continues to pursue and explore other alternatives including (i) the outsourcing of services such as parks maintenance, ambulance services and government vehicle maintenance, (ii) the transfer of employees to self-sufficient areas such as grant writing and special funds, (iii) the transfer of General Fund funded positions to autonomous agencies and (iv) the reorganization of the Governor's Cabinet to 12 departments. In addition, the Government implemented an aggressive tax collection program, transferring a number of employees to the Department of Revenue and Taxation in order to collect income taxes owed.

Part of this fiscal recovery involves the borrowing of approximately \$300 million in net proceeds, through a bond issue for working capital and liquidation of certain outstanding obligations, including but not limited to:

- \$119.6 million in estimated tax refunds owed to the People of Guam for Fiscal Year 2004 and prior
- \$18.7 million to fund the Income Tax Reserve
- \$80.0 million Earned Income Tax Credit settlement
- \$34.9 million Retirement Fund payables for GPSS and GMH
- \$25.3 million in payables due to GPA
- \$15.5 million in General Fund Vendor Payables (on and off-island vendors), Judiciary & Autonomous Agency payables
- \$6.0 million past due Medicaid and MIP bills

Key pro forma financial performance estimates show that with Moderate Government Revenue Growth, along with cost containment, the Government could achieve budget surpluses in the future or as early as FY 2007. A Rainy Day Fund reserve is expected to be fully funded and the Government of Guam Retirement Fund UAAL is expected to reach the actuarial contribution rate by FY 2012. In addition, the cumulative deficit is expected to be completely eliminated and a \$39 million surplus created by FY 2013.

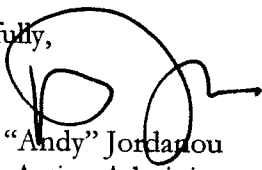
With an aggressive implementation of the Action Plan, and assuming that the local economy can cause General Fund revenues to grow at a conservative minimum of 3% per year, the Government will achieve budget surpluses starting in FY 2006, create a fully funded emergency reserve by 2012, eliminate the cumulative deficit by FY 2013 and stop the accumulation of the Government of Guam Retirement Fund Unfunded Accrued Actuarial Liability.

Additionally, the General Fund will also realize significant debt payment reduction of \$17.1 million in 2012 with the maturity of three bond and financial obligations.

Finally, our analysis shows that the Action Plan's initiatives, coupled with growth in the private sector, are the only road map that can be expected to get the Government of Guam out of its current financial crisis. Although significant growth is expected from the military sector over the next few years, this was not factored into our analysis as bond rating agencies and underwriters normally do not include anticipated growth until actual financials are confirmed and in place.

Thank you for the opportunity to provide testimony supporting Bill No. 332 (LS).

Respectfully,


Andreas "Andy" Jordanou
GEDCA Acting Administrator

Enclosure: Governor's Fiscal Recovery Presentation, July 2006



Government of Guam
Fiscal Recovery Initiatives & Deficit Bond Financing

July 2006





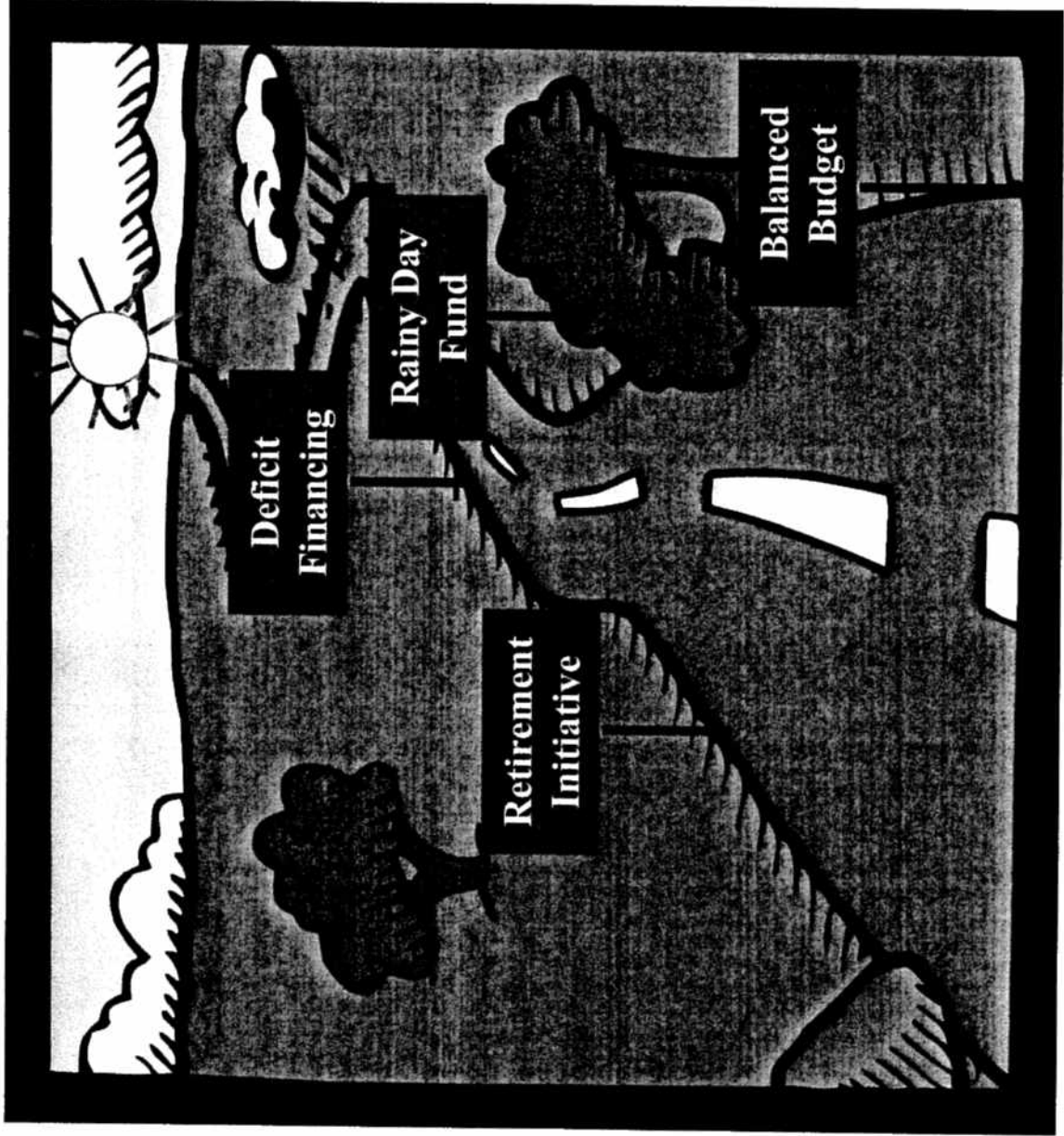
Objectives

- ▶ Develop a mechanism to provide the necessary cash to the General Fund to pay obligations.
- ▶ Establish a Rainy Day Fund to be used for unanticipated emergencies
- ▶ Implement Retirement Fund reform to include increasing contributions over a period of 5 years until reaching a 26% contribution rate or until contribution matches actuarial recommendation.
- ▶ Issue bonds in aggregate principal amount not to exceed the amount necessary to provide \$300,000,000 in net proceeds
- ▶ Use bond proceeds for the payment of certain General Fund expenditures
- ▶ Add/amend certain related provisions of law to put the General Fund on a sound financial course and, over time, to reduce the remaining General Fund deficit and the unfunded liability of the government to the Government of Guam Retirement Fund





Road to Fiscal Recovery



Bank of America





Expenditure Limitations Based on Available Revenues

- ▶ If during the course of a fiscal year, actual General Fund revenues received have been *lower than the projection* on which appropriations for such fiscal year have been based, the Director of BBMR shall *adjust the amounts available for expenditure from the General Fund based on actual receipts* and shall inform each agency of the government of the portion of its General Fund appropriation that is available for encumbrance and expenditure.
 - At the end of each fiscal year, the appropriations for all unencumbered amounts for all expense items and the appropriations for all unexpended amounts for operating expense items that have not yet accrued as actual liabilities shall lapse and be of no further effect.
 - All expense items for which appropriations have lapsed pursuant to the foregoing sentence shall be subject to re-appropriation and operating expense items for which appropriations have lapsed pursuant to the foregoing sentence shall be subject to payment out of appropriations for such items in subsequent fiscal years.
 - Limitations shall apply to all appropriations and expenditures of the General Fund except the following items:
 - (i) principal and interest on bonds, notes and other obligations of the government of Guam,
 - (ii) payments pursuant to multiyear contractual or lease obligations of the government of Guam.





Expenditure Limitations Based on Available Revenues

- ▶ During the course of a fiscal year, if actual General Fund revenues received have been *higher than the projection* on which appropriations for such fiscal year have been based, additional or supplemental appropriations shall be considered
 - This amount may not be greater than 20% percent of the greater of:
 - (i) the amount by which actual revenues exceed the projection on which appropriations for such fiscal year have been based or
 - (ii) the amount by which the revised projection exceeds the projection on which appropriations for such fiscal year have been based.





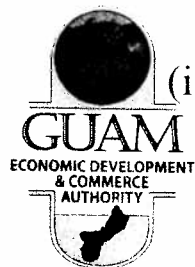
Rainy Day Fund

- At the end of the fiscal year, an amount equal to the lesser of (i) **2% of General Fund revenues** received during that fiscal year or (ii) the amount needed to increase the amount in the Rainy Day Fund to Fifty Million Dollars (\$50,000,000), shall be transferred from the General Fund to the Rainy Day Fund.

	2005 <i>(audited)</i>	2006 <i>(projected)</i>	2007 <i>(projected)</i>	2008 <i>(projected)</i>	2009 <i>(projected)</i>	2010 <i>(projected)</i>	2011 <i>(projected)</i>	2012 <i>(projected)</i>
<i>Actual/ Projected Revenue*</i>	443,295,703	435,092,898	457,302,767	471,021,850	485,152,506	499,707,081	514,698,293	530,139,242
<i>Rainy day fund (2% of revenues)</i>	-	-	-	9,420,437	9,703,050	9,994,142	10,293,966	10,588,406
<i>Rainy Day Fund Balance</i>	-	-	-	9,420,437	19,123,487	29,117,629	39,411,595	50,000,000

- Assumes 3% revenue growth for Fiscal Years 2008-2012*
- 2005 Revenues overstated by \$33.8MM due to provision for tax refund accounting adjustment; actual collections at \$409.5MM*

- Amounts in the Rainy Day Fund are to be used solely for:
 - paying unanticipated expenditure items related to a force majeure event for which no appropriation exists in the budget for the then current fiscal year, but only after appropriation by statute, or
 - paying budgeted items to the extent that actual General Fund revenues received during the course of a fiscal year are less than the projection on which appropriations for such fiscal year have been based.





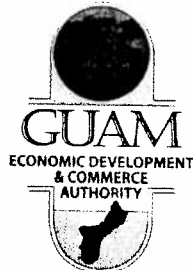
Retirement Initiative

- Retirement fund reform to include increasing contributions starting in FY 2008 for a 5-year period, until reaching a **26% contribution rate**, or until contribution matches actuarial recommendation.

	2005 <i>(audited)</i>	2006 <i>(projected)</i>	2007 <i>(projected)</i>	2008 <i>(projected)</i>	2009 <i>(projected)</i>	2010 <i>(projected)</i>	2011 <i>(projected)</i>	2012 <i>(projected)</i>
<i>Actual / Projected Total Government Payroll Cost*</i>	371,076,345	376,642,490	382,292,127	388,026,509	393,846,907	399,754,611	405,750,930	411,837,194
<i>75% funded by GF Appropriations</i>	278,307,259	282,481,868	286,719,096	291,019,882	295,385,180	299,815,958	304,313,197	308,877,895
<i>Contribution Rate</i>	20.81%	21.81%	21.81%	21.81%	21.81%	21.81%	21.81%	21.81%
<i>Actual/Projected Contribution</i>	57,915,741	61,609,295	62,533,435	63,471,436	64,423,508	65,389,860	66,370,708	67,366,269
<i>Proposed Contribution Rate</i>	20.81%	21.81%	21.81%	22.65%	23.49%	24.32%	25.16%	26.00%
<i>Proposed Contribution</i>	-	-	-	65,910,183	69,374,163	72,927,234	76,571,287	80,308,253
ADDITIONAL COSTS FOR CONTRIBUTION INITIATIVE	-	-	-	2,438,747	4,950,656	7,537,373	10,200,578	12,941,984

* Assumes 1.5% growth for Fiscal Years 2008-2012

- In addition to the initiative noted above, at the end of each fiscal year, an amount equal to 10% of the amount, if any, by which actual revenues have exceeded expenditures and encumbrances for such fiscal year shall be transferred to the Government of Guam Retirement Fund to reduce the UAAL





Bond Structure

- ▶ Bonds in aggregate principal amount not to exceed the amount necessary to provide \$300,000,000 in net proceeds.
- ▶ Bonds may not be issued in an amount that would cause a violation of the debt limitation provisions.
- ▶ GRT “Lock Box” structure (revenues directed immediately to the trustee as received)
 - Cash flow considerations
- ▶ Incremental amount to fund necessary reserves and to pay costs of issuance
- ▶ Determine the necessary & allowable amount of capitalized interest





Use of Proceeds

- ▶ Used funds to make payments on the following obligations of GovGuam:

Payables	Amount (\$ Millions)
2004 and prior year individual and corporate tax refunds	\$ 119.6
Deposit to Income Tax Reserve Fund	18.7
EITC settlement payment	80.0
Retirement fund payables for GPSS and GMH	34.9
Past due payables to GPA (DPW & GPSS)	25.3
General Fund Vendor Payables (on and off-island vendors), Judiciary & Autonomous Agency payables	15.5
<u>Past due MIP & Medicaid bills</u>	<u>6.0</u>
Total	\$ 300.0



Source: Department of Administration as of 5/15/06





Bond Financing Summary

Par Amount*		\$363,240,000
Term	30 Years	
Uses		
Project Fund Deposit	300,000,000.00	
Debt Service Reserve Fund	28,036,508.00	
Capitalized Interest Fund	31,546,074.40	
Cost of Issuance	750,000.00	
Underwriter's Discount	2,905,920.00	
Additional Proceeds	1,497.60	

Payables	Amount (\$ Million)
2004 and prior year tax refunds	\$ 119.6
Deposit to Income Tax Reserve Fund	18.7
EITC settlement payment	80.0
Retirement fund payables for GPSS and GMH	34.9
Past due payables to GPA	25.3
Vendor, Judiciary & Autonomous Agency payables	15.5
<u>Past due MIP & Medicaid bills</u>	<u>6.0</u>
Total	\$ 300.0

Interest Rates*	
Serials 2008 - 2011	5.60% - 5.68%
Term 2016	6.09%
Term 2026	6.38%
Term 2036	6.54%

*Preliminary, subject to change with market conditions





Next Steps

- ▶ Further review of general fund revenues, expenditures and deficit
- ▶ Take necessary legislative and regulatory steps to institute initiatives
- ▶ Further analysis on impact of proposed initiatives
- ▶ Review of government operations and implementation of responsibilities
- ▶ Confirm use of proceeds
- ▶ Evaluate structuring alternatives
- ▶ Initiate discussions with credit rating agencies
- ▶ Market and sell bonds



Bank of America





Governor
Felix P. Camacho

Lieutenant Governor
Kaleo S. Moylan

Senator Edward J.B. Calvo
155 Hesler Place
Hagatna, Guam 96910

July 19, 2006

Dear Senator Calvo:

Attached herewith is the Certificate of the Governor as prepared by Bond Counsel pursuant to which the 1993 refunding /new money bonds would be issued. For your information, the section regarding a special redemption with Section 30 revenues is found at Section 4.01(c) of the Certificate.

At the recommendation of Bond Counsel, pure General Obligation Bonds are executed with a Certificate and not an Indenture. Please amend reference to approval by the Legislature of a form of the Certificate in Section 6 to read as follows:

"The certificate pursuant to which the bonds approved by Section 5 of this Act shall be issued shall be in substantially the form appended to this Act as "Attachment A". In accordance with § 22435, Title 5, Guam Code Annotated, the terms and conditions of such bonds shall be as determined by I Maga'láhen Guáhan by execution of the certificate, subject to the requirements of said § 22435 and Section 4 of this Act."

Should you have any further questions, please feel free to contact myself or Tina Garcia, Financial Services Manager at 647-4332.

Sincerely,

Andreas Jordanou
Acting Administrator

Cc: Governor Felix P. Camacho

Senator Edward J.B. Calvo
ACKNOWLEDGEMENT RECEIPT
Rcv'd by: M. Mole
Print Name & Initial

Time: 4:42
Date: 7-19-06

MINA'BENTE OCHO NA LIHESLATURAN GUÅHAN
FLOOR AMENDMENTS/CHANGES
Bill No. 332 (LS)

Mike Cruz, MD
Senator Proposing Amendment

(Below for Senator to Complete)

Please describe proposed amendment, including where change to occur:

1. Add a new Section _____ and re-numerate all subsequent Sections to read:

"Section _____. Authorization to Access Funds. Notwithstanding any other provision of law, *I Maga'lahaen Guåhan* is authorized to access funds from the executive branch accounts as per Attachment "A", for the purpose of making payments for the cost of living allowance as set forth in the *Rios v. Camacho, et al.*, Superior Court Case No. SP0206-93. The payments authorized in this section shall not be considered a new appropriation. All cash utilized from executive branch accounts identified pursuant to Attachment "A" shall be reimbursed promptly as cash becomes available."

Date October 27, 2006.

Floor Amendment No. 1 of a total of _____ changes on above Bill.
Votes For Amendment: _____ Votes Against Amendment: _____
AMENDMENT PASSED: _____

Amendment Failed: _____
Amendment Withdrawn: _____

APPROVED AS TO FORM PASSED
SENATOR MIKE CRUZ, MD
AUTHOR OF AMENDMENT

Concur (initial)

Clerk of Legislature

Speaker

Ass't Amend. Clerk

Engrossment Staff

10/30/06

Attachment "A"

FA
16

1.	GTA Privatization Fund	\$ 1,066,698
2.	Interim Transition Office Account	\$ 552,362
3.	THF Construction Fund	\$ 14,743,414
4.	TAF Construction Fund	\$ 6,730,585

Total: ~~\$ 23,093,059~~

am
FA 1a
8.

my FA 1b
remove dollar figures (\$...) 1-4 + total
2 R 1, 2, 3, 4 Funds

Passed FA No. B
Date: 10/27 Time: 6:55P

I MINA'BENTE OCHO NA LIHESLATURAN GUÅHAN

FLOOR AMENDMENTS/CHANGES

Bill No. 332

M. Farber

Senator Proposing Amendment

(Below for Senator to complete)

Please describe proposed amendment, including where change to occur:

Amend Attachment "A" by removing
the dollar figures.

(Below only for Clerk of Legislature's use and processing))

Date 10/27, 2006

Floor Amendment No. 16 of a total of changes on above Bill.

Votes For Amendment: Votes Against Amendment:

AMENDMENT PASSED: ✓

Amendment Failed:

Amendment Withdrawn:

APPROVED AS TO FORM PASSED

AUTHOR OF AMENDMENT

Concur (initial)

Clerk of Legislature

Speaker

Ass't. Amend. Clerk

Engrossment Staff

Attachment "A"

1.	GTA Privatization Fund	\$ 1,066,698
2.	Interim Transition Office Account	\$ 552,362
3.	THF Construction Fund	\$ 14,743,414
4.	TAF Construction Fund	<u>\$ 2,000,000</u>
	Total:	\$ 18,362, ⁴ 374

I MINA'BENTE OCHO NA LIHESLATURAN GUÅHAN

FLOOR AMENDMENTS/CHANGES

Bill No. 322 (LS)

332
Bob K.

Senator Proposing Amendment

(Below for Senator to complete)

Please describe proposed amendment, including where change to occur:

To add a new Section ____ and to renumber all subsequent sections to read:

“Section _____. Notwithstanding any other provision of law, *I Maga'lahaen Guahan* may expend funds from the executive branch accounts listed in Attachment “A” to make the Cost of Living Adjustment (COLA) payments ordered pursuant to a judgment in *Rios v. Camacho, et al.*, Superior Court Case No.0206-93. The payments authorized herein shall not be considered a new appropriation. All cash expended from said executive branch accounts pursuant to this section shall be promptly reimbursed to those accounts as cash becomes available.”

(Below only for Clerk of Legislature's use and processing)

Date 10/27/06

Floor Amendment No. 1c of a total of ____ changes on above Bill.

Votes For Amendment: _____ Votes Against Amendment: _____

AMENDMENT PASSED: _____

Amendment Failed: ✓

Amendment Withdrawn: _____

APPROVED AS TO FORM PASSED

AUTHOR OF AMENDMENT

Concur *(initial)*

ms

Clerk of Legislature

Speaker

Ass't. Amend. Clerk
Engrossment Staff

Attachment "A"

1.	GTA Privatization Fund	\$ 1,066,698
2.	Interim Transition Office Account	\$ 552,362
3.	THF Construction Fund	\$ 14,743,414
4.	TAF Construction Fund	\$ <u>6,730,585</u>
	Total:	\$ 23,093,059

GTA Privatization Fund	\$ 1,066,698
Interim Transition Office Account	\$ 552,362
THF Construction Fund	\$ 14,743,414
TAF Construction Fund	\$ <u>6,730,585</u>
 Total	 \$ 23,093,059

Government of Guam's General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Fiscal Year Ended September 30, 2004 through 2006

	September 30, 2004 (Audited) 1/	September 30, 2005 (Audited) 2/	September 30, 2006 (Projected) 3/
Revenues			
Taxes	\$ 325,485,978	376,375,879	380,469,620
Licenses, fees & permits	2,282,224	1,540,974	-
Use of money & property	120,521	168,488	129,510
Federal contributions	62,501,258	54,564,785	51,055,201
Contributions from component units	2,133,054	8,398,776	2,055,979
Other	16,449,563	2,246,801	1,382,588
Total revenues	408,972,598	443,295,703	435,092,898
Expenditures			
General government	30,331,015	35,311,558	25,789,317
Protection of life and property	60,403,905	63,364,624	63,835,218
Public health	11,312,177	10,689,479	29,207,252
Community services	4,070,115	4,570,794	3,588,039
Recreation	3,582,525	3,365,121	2,861,127
Individual and collective rights	10,391,511	10,491,057	9,883,040
Transportation	1,438,035	1,432,274	8,113,024
Education	146,005,349	174,393,669	164,229,361
Environmental protection	368	-	30,000
Economic development	3,117,728	3,033,206	3,141,720
Transfers to persons	-	4,549,010	1,579,224
Capital projects	-	-	-
Interest	2,146,092	-	-
Principal	-	-	-
Total expenditures	272,798,820	311,200,792	312,257,322
Excess (deficiency) of revenues over (under) expenditures	136,173,778	132,094,911	122,835,576
Other financing sources (uses):			
Transfers in	21,385,340	21,540,188	14,847,720
Transfers out	(175,023,355)	(184,027,587)	(137,683,296)
Deficit bond debt service	-	-	-
Other sources (uses)	-	-	-
Total other financing sources (uses), net	(153,638,015)	(162,487,399)	(122,835,576)
Special items:			
Deficit bond financing	-	-	300,000,000
Overprovisioning for tax refunds	17,993,424	-	-
Net change in fund balances (deficit)	529,187	(30,392,488)	300,000,000
Fund balances (deficit) at beginning of year	(314,122,342)	(313,593,155)	(343,985,643)
Fund balances (deficit) at end of year	\$ (313,593,155)	(343,985,643)	(43,985,643)

Sources:

1/ Independent Auditors' Report, for Fiscal Year Ended September 30, 2004

2/ Independent Auditors' Report, for Fiscal Year Ended September 30, 2005

3/ PL 28-68 Adopted Revenues and Appropriations & Bill 332(LS)

SOURCES AND USES OF FUNDS**Government of Guam
\$300 Million Deficit Bond Financing****Sources:**

Bond Proceeds:	
Par Amount	363,240,000.00
	<hr/>
	363,240,000.00

Uses:

Project Fund Deposits:	
PROJ	300,000,000.00
Other Fund Deposits:	
Debt Service Reserve Fund	28,036,508.00
Capitalized Interest Fund	31,546,074.40
	<hr/>
	59,582,582.40
Delivery Date Expenses:	
Cost of Issuance	750,000.00
Underwriter's Discount	2,905,920.00
	<hr/>
	3,655,920.00
Other Uses of Funds:	
Additional Proceeds	1,497.60
	<hr/>
	363,240,000.00

BOND SUMMARY STATISTICS

*Government of Guam
\$300 Million Deficit Bond Financing*

Dated Date	09/15/2006
Delivery Date	09/15/2006
Last Maturity	09/15/2036
Arbitrage Yield	6.456345%
True Interest Cost (TIC)	6.532359%
Net Interest Cost (NIC)	6.516068%
All-In TIC	6.552135%
Average Coupon	6.476279%
Average Life (years)	20.106
Duration of Issue (years)	10.887
Par Amount	363,240,000.00
Bond Proceeds	363,240,000.00
Total Interest	472,988,261.00
Net Interest	475,894,181.00
Total Debt Service	836,228,261.00
Maximum Annual Debt Service	28,036,508.00
Average Annual Debt Service	27,874,275.37
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	8.000000
Total Underwriter's Discount	8.000000
Bid Price	99.200000

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Serials	20,840,000.00	100.000	5.641%	3.568	6,678.45
Term 2016	33,685,000.00	100.000	6.090%	8.118	25,263.75
Term 2026	107,560,000.00	100.000	6.380%	16.007	121,542.80
Term 2036	201,155,000.00	100.000	6.540%	26.019	263,513.05
	363,240,000.00			20.106	416,998.05

	TIC	All-In TIC	Arbitrage Yield
Par Value	363,240,000.00	363,240,000.00	363,240,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount	-2,905,920.00	-2,905,920.00	
- Cost of Issuance Expense		-750,000.00	
- Other Amounts			
Target Value	360,334,080.00	359,584,080.00	363,240,000.00
Target Date	09/15/2006	09/15/2006	09/15/2006
Yield	6.532359%	6.552135%	6.456345%

RESERVE FUND

Government of Guam
\$300 Million Deficit Bond Financing

Debt Service Reserve Fund (DSRF)

Date	Deposit	Interest @ 4.5%	Principal	Capitalized Interest Fund	Debt Service	Balance
09/15/2006	28,036,508					28,036,508
03/15/2007		630,821.43		-630,821.43		28,036,508
09/15/2007		630,821.43		-630,821.43		28,036,508
03/15/2008		630,821.43		-630,821.43		28,036,508
09/15/2008		630,821.43			-630,821.43	28,036,508
03/15/2009		630,821.43			-630,821.43	28,036,508
09/15/2009		630,821.43			-630,821.43	28,036,508
03/15/2010		630,821.43			-630,821.43	28,036,508
09/15/2010		630,821.43			-630,821.43	28,036,508
03/15/2011		630,821.43			-630,821.43	28,036,508
09/15/2011		630,821.43			-630,821.43	28,036,508
03/15/2012		630,821.43			-630,821.43	28,036,508
09/15/2012		630,821.43			-630,821.43	28,036,508
03/15/2013		630,821.43			-630,821.43	28,036,508
09/15/2013		630,821.43			-630,821.43	28,036,508
03/15/2014		630,821.43			-630,821.43	28,036,508
09/15/2014		630,821.43			-630,821.43	28,036,508
03/15/2015		630,821.43			-630,821.43	28,036,508
09/15/2015		630,821.43			-630,821.43	28,036,508
03/15/2016		630,821.43			-630,821.43	28,036,508
09/15/2016		630,821.43			-630,821.43	28,036,508
03/15/2017		630,821.43			-630,821.43	28,036,508
09/15/2017		630,821.43			-630,821.43	28,036,508
03/15/2018		630,821.43			-630,821.43	28,036,508
09/15/2018		630,821.43			-630,821.43	28,036,508
03/15/2019		630,821.43			-630,821.43	28,036,508
09/15/2019		630,821.43			-630,821.43	28,036,508
03/15/2020		630,821.43			-630,821.43	28,036,508
09/15/2020		630,821.43			-630,821.43	28,036,508
03/15/2021		630,821.43			-630,821.43	28,036,508
09/15/2021		630,821.43			-630,821.43	28,036,508
03/15/2022		630,821.43			-630,821.43	28,036,508
09/15/2022		630,821.43			-630,821.43	28,036,508
03/15/2023		630,821.43			-630,821.43	28,036,508
09/15/2023		630,821.43			-630,821.43	28,036,508
03/15/2024		630,821.43			-630,821.43	28,036,508
09/15/2024		630,821.43			-630,821.43	28,036,508
03/15/2025		630,821.43			-630,821.43	28,036,508
09/15/2025		630,821.43			-630,821.43	28,036,508
03/15/2026		630,821.43			-630,821.43	28,036,508
09/15/2026		630,821.43			-630,821.43	28,036,508
03/15/2027		630,821.43			-630,821.43	28,036,508
09/15/2027		630,821.43			-630,821.43	28,036,508
03/15/2028		630,821.43			-630,821.43	28,036,508
09/15/2028		630,821.43			-630,821.43	28,036,508
03/15/2029		630,821.43			-630,821.43	28,036,508
09/15/2029		630,821.43			-630,821.43	28,036,508
03/15/2030		630,821.43			-630,821.43	28,036,508
09/15/2030		630,821.43			-630,821.43	28,036,508
03/15/2031		630,821.43			-630,821.43	28,036,508
09/15/2031		630,821.43			-630,821.43	28,036,508
03/15/2032		630,821.43			-630,821.43	28,036,508
09/15/2032		630,821.43			-630,821.43	28,036,508
03/15/2033		630,821.43			-630,821.43	28,036,508
09/15/2033		630,821.43			-630,821.43	28,036,508

RESERVE FUND

*Government of Guam
\$300 Million Deficit Bond Financing*

Debt Service Reserve Fund (DSRF)

Date	Deposit	Interest @ 4.5%	Principal	Capitalized Interest Fund	Debt Service	Balance
03/15/2034		630,821.43			-630,821.43	28,036,508
09/15/2034		630,821.43			-630,821.43	28,036,508
03/15/2035		630,821.43			-630,821.43	28,036,508
09/15/2035		630,821.43			-630,821.43	28,036,508
03/15/2036		630,821.43			-630,821.43	28,036,508
09/15/2036		630,821.43	28,036,508		-28,667,329.43	
	28,036,508	37,849,285.80	28,036,508	-1,892,464.29	-63,993,329.51	

Yield To Receipt Date: 4.500000%
 Arbitrage Yield: 6.4563452%
 Value of Negative Arbitrage: 7,232,711.72

RESERVE FUND

*Government of Guam
\$300 Million Deficit Bond Financing*

Capitalized Interest Fund (CAPI)

Date	Deposit	Interest @ 4.5%	Principal	Debt Service Reserve Fund	Scheduled Draws	Balance
09/15/2006	31,546,074.40					31,546,074.40
03/15/2007			10,990,652.07	630,821.43	11,621,473.50	20,555,422.33
05/15/2007		863,952.34	-863,952.34			21,419,374.67
09/15/2007			10,990,652.07	630,821.43	11,621,473.50	10,428,722.60
11/15/2007		399,506.04	-399,506.04			10,828,228.64
03/15/2008		162,423.43	10,828,228.64	630,821.43	11,621,473.50	
	31,546,074.40	1,425,881.81	31,546,074.40	1,892,464.29	34,864,420.50	

Yield To Receipt Date: 4.4868186%
 Arbitrage Yield: 6.4563452%
 Value of Negative Arbitrage: 593,672.61

BOND PRICING**Government of Guam
\$300 Million Deficit Bond Financing**

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serials:					
	09/15/2008	4,790,000	5.600%	5.600%	100.000
	09/15/2009	5,060,000	5.610%	5.610%	100.000
	09/15/2010	5,345,000	5.630%	5.630%	100.000
	09/15/2011	5,645,000	5.680%	5.680%	100.000
		20,840,000			
Term 2016:					
	09/15/2012	5,965,000	6.090%	6.090%	100.000
	09/15/2013	6,330,000	6.090%	6.090%	100.000
	09/15/2014	6,715,000	6.090%	6.090%	100.000
	09/15/2015	7,120,000	6.090%	6.090%	100.000
	09/15/2016	7,555,000	6.090%	6.090%	100.000
		33,685,000			
Term 2026:					
	09/15/2017	8,015,000	6.380%	6.380%	100.000
	09/15/2018	8,530,000	6.380%	6.380%	100.000
	09/15/2019	9,070,000	6.380%	6.380%	100.000
	09/15/2020	9,650,000	6.380%	6.380%	100.000
	09/15/2021	10,265,000	6.380%	6.380%	100.000
	09/15/2022	10,920,000	6.380%	6.380%	100.000
	09/15/2023	11,620,000	6.380%	6.380%	100.000
	09/15/2024	12,360,000	6.380%	6.380%	100.000
	09/15/2025	13,145,000	6.380%	6.380%	100.000
	09/15/2026	13,985,000	6.380%	6.380%	100.000
		107,560,000			
Term 2036:					
	09/15/2027	14,880,000	6.540%	6.540%	100.000
	09/15/2028	15,850,000	6.540%	6.540%	100.000
	09/15/2029	16,890,000	6.540%	6.540%	100.000
	09/15/2030	17,990,000	6.540%	6.540%	100.000
	09/15/2031	19,170,000	6.540%	6.540%	100.000
	09/15/2032	20,425,000	6.540%	6.540%	100.000
	09/15/2033	21,760,000	6.540%	6.540%	100.000
	09/15/2034	23,180,000	6.540%	6.540%	100.000
	09/15/2035	24,695,000	6.540%	6.540%	100.000
	09/15/2036	26,315,000	6.540%	6.540%	100.000
		201,155,000			
		363,240,000			

BOND PRICING

**Government of Guam
\$300 Million Deficit Bond Financing**

Dated Date	09/15/2006	
Delivery Date	09/15/2006	
First Coupon	03/15/2007	
Par Amount	363,240,000.00	
Original Issue Discount		
Production	363,240,000.00	100.000000%
Underwriter's Discount	-2,905,920.00	-0.800000%
Purchase Price	360,334,080.00	99.200000%
Accrued Interest		
Net Proceeds	360,334,080.00	

NET DEBT SERVICE**Government of Guam
\$300 Million Deficit Bond Financing**

Period Ending	Total Debt Service	Debt Service Reserve Fund	Capitalized Interest Fund	Net Debt Service
09/15/2007	23,242,947.00		23,242,947.00	
09/15/2008	28,032,947.00	630,821.43	11,621,473.50	15,780,652.07
09/15/2009	28,034,707.00	1,261,642.86		26,773,064.14
09/15/2010	28,035,841.00	1,261,642.86		26,774,198.14
09/15/2011	28,034,917.50	1,261,642.86		26,773,274.64
09/15/2012	28,034,281.50	1,261,642.86		26,772,638.64
09/15/2013	28,036,013.00	1,261,642.86		26,774,370.14
09/15/2014	28,035,516.00	1,261,642.86		26,773,873.14
09/15/2015	28,031,572.50	1,261,642.86		26,769,929.64
09/15/2016	28,032,964.50	1,261,642.86		26,771,321.64
09/15/2017	28,032,865.00	1,261,642.86		26,771,222.14
09/15/2018	28,036,508.00	1,261,642.86		26,774,865.14
09/15/2019	28,032,294.00	1,261,642.86		26,770,651.14
09/15/2020	28,033,628.00	1,261,642.86		26,771,985.14
09/15/2021	28,032,958.00	1,261,642.86		26,771,315.14
09/15/2022	28,033,051.00	1,261,642.86		26,771,408.14
09/15/2023	28,036,355.00	1,261,642.86		26,774,712.14
09/15/2024	28,034,999.00	1,261,642.86		26,773,356.14
09/15/2025	28,031,431.00	1,261,642.86		26,769,788.14
09/15/2026	28,032,780.00	1,261,642.86		26,771,137.14
09/15/2027	28,035,537.00	1,261,642.86		26,773,894.14
09/15/2028	28,032,385.00	1,261,642.86		26,770,742.14
09/15/2029	28,035,795.00	1,261,642.86		26,774,152.14
09/15/2030	28,031,189.00	1,261,642.86		26,769,546.14
09/15/2031	28,034,643.00	1,261,642.86		26,773,000.14
09/15/2032	28,035,925.00	1,261,642.86		26,774,282.14
09/15/2033	28,035,130.00	1,261,642.86		26,773,487.14
09/15/2034	28,032,026.00	1,261,642.86		26,770,383.14
09/15/2035	28,031,054.00	1,261,642.86		26,769,411.14
09/15/2036	28,036,001.00	29,298,150.86		-1,262,149.86
	836,228,261.00	63,993,329.51	34,864,420.50	737,370,510.99

BOND DEBT SERVICE**Government of Guam
\$300 Million Deficit Bond Financing**

Period Ending	Principal	Coupon	Interest	Debt Service
09/15/2007			23,242,947.00	23,242,947.00
09/15/2008	4,790,000	5.600%	23,242,947.00	28,032,947.00
09/15/2009	5,060,000	5.610%	22,974,707.00	28,034,707.00
09/15/2010	5,345,000	5.630%	22,690,841.00	28,035,841.00
09/15/2011	5,645,000	5.680%	22,389,917.50	28,034,917.50
09/15/2012	5,965,000	6.090%	22,069,281.50	28,034,281.50
09/15/2013	6,330,000	6.090%	21,706,013.00	28,036,013.00
09/15/2014	6,715,000	6.090%	21,320,516.00	28,035,516.00
09/15/2015	7,120,000	6.090%	20,911,572.50	28,031,572.50
09/15/2016	7,555,000	6.090%	20,477,964.50	28,032,964.50
09/15/2017	8,015,000	6.380%	20,017,865.00	28,032,865.00
09/15/2018	8,530,000	6.380%	19,506,508.00	28,036,508.00
09/15/2019	9,070,000	6.380%	18,962,294.00	28,032,294.00
09/15/2020	9,650,000	6.380%	18,383,628.00	28,033,628.00
09/15/2021	10,265,000	6.380%	17,767,958.00	28,032,958.00
09/15/2022	10,920,000	6.380%	17,113,051.00	28,033,051.00
09/15/2023	11,620,000	6.380%	16,416,355.00	28,036,355.00
09/15/2024	12,360,000	6.380%	15,674,999.00	28,034,999.00
09/15/2025	13,145,000	6.380%	14,886,431.00	28,031,431.00
09/15/2026	13,985,000	6.380%	14,047,780.00	28,032,780.00
09/15/2027	14,880,000	6.540%	13,155,537.00	28,035,537.00
09/15/2028	15,850,000	6.540%	12,182,385.00	28,032,385.00
09/15/2029	16,890,000	6.540%	11,145,795.00	28,035,795.00
09/15/2030	17,990,000	6.540%	10,041,189.00	28,031,189.00
09/15/2031	19,170,000	6.540%	8,864,643.00	28,034,643.00
09/15/2032	20,425,000	6.540%	7,610,925.00	28,035,925.00
09/15/2033	21,760,000	6.540%	6,275,130.00	28,035,130.00
09/15/2034	23,180,000	6.540%	4,852,026.00	28,032,026.00
09/15/2035	24,695,000	6.540%	3,336,054.00	28,031,054.00
09/15/2036	26,315,000	6.540%	1,721,001.00	28,036,001.00
	363,240,000		472,988,261.00	836,228,261.00

I MINA' BENTE OCHO NA LIHESLATURAN GUÅHAN
2006 (SECOND) Regular Session

1
2
3 Bill No. 332 (45)

4 Introduced by:

Committee on Calendar
by request of *I Maga'lahen Guåhan*
the Governor of Guam in accordance with the
Organic Act of Guam

5
6
7 AN ACT TO AMEND §1512 OF TITLE 5, GUAM CODE
8 ANNOTATED, RELATIVE TO AUTHORIZING THE GOVERNOR
9 OF GUAM, *I MAGA'LAHEN GUÅHAN*, TO ISSUE GOVERNMENT
10 OF GUAM BONDS FOR THE PURPOSE OF PAYING CERTAIN
11 GENERAL FUND EXPENSES

11 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

12 **Section 1. Legislative Findings and Intent.** *I Liheslaturan Guåhan* hereby finds that the
13 accumulated General Fund deficit has resulted in current revenues available in the General Fund being
14 insufficient to pay certain obligations of the General Fund and that a mechanism is needed to provide the
15 necessary cash to the General Fund to pay such obligations until a surplus of current revenues over
16 current expenditures can retire the deficit. *I Liheslaturan Guåhan* hereby also finds that through the
17 issuance of bonds as provided herein the government can fund its current needs while retiring the deficit
18 over time. *I Liheslaturan Guåhan* therefore hereby authorizes the issuance of bonds as provided herein,
19 provides for the proceeds of said bonds to be used to pay certain General Fund expenditures so that the
20 General Fund deficit may be reduced over time, and adds and amends certain related provisions of law
21 to put the General Fund on a sound financial course and, over time, to reduce the remaining unfunded
22 General Fund deficit and the unfunded liability of the government to the Government of Guam
23 Retirement Fund.

24 **Section 2.** Subsection (a) of Section 1512 of Title 5, Guam Code Annotated, is hereby amended
25 to read as follows:

26 **“(a) Authorization of Issuance of Bonds.** *I Maga'lahen Guåhan* is authorized to
27 issue one or more series of bonds of the government of Guam as provided in this Section, in an
28 aggregate principal amount not to exceed the amount necessary to provide Three Hundred

1 ~~Million Dollars (\$300,000,000) Two Hundred Eighteen Million Three Hundred Nine Thousand~~
2 ~~Eight Hundred Fifty Seven Dollars (\$218,309,857)~~ for the payment of the General Fund
3 expenses listed in subsection (m) (~~other than subsection (m)(vii) of this Section~~) and in an
4 aggregate principal amount necessary to provide ~~Two Hundred Million Dollars (\$200,000,000)~~
5 for the payment of the General Fund expenses listed in subsection (m)(vii), and, in addition, each
6 ease to fund necessary reserves and pay expenses incurred in connection with the issuance of
7 such bonds not already included in an existing appropriation for or the regular budget of any
8 government agency or instrumentality or public corporation providing any service in connection
9 with the issuance of such bonds; *provided, however*, that bonds may not be issued in an amount
10 that would cause a violation of the debt limitation provisions of 48 USC 1423a (§11 of the
11 Organic Act of Guam).”

12 **Section 3.** Subsection (c) of Section 1512 of Title 5, Guam Code Annotated, is hereby
13 amended to read as follows:

14 “(c) **Terms and Conditions Determined by Certificate or Indenture.** The terms
15 and conditions of the bonds shall be as determined by *I Maga’lahen Guåhan* by the execution of
16 a certificate or indenture authorizing the issuance of the bonds upon or prior to the issuance of
17 the bonds; provided, however, that such terms and conditions shall be consistent with this
18 Section, and that the bonds shall mature not later than the date thirty (30) years after their date of
19 issuance year 2024, and shall bear interest at such rates and be sold for such price or prices as
20 shall result in a yield to the bondholders not exceeding seven and one-half percent (7.5%) ~~six and~~
21 ~~one-half percent (6.5%)~~ per annum.”

22 **Section 4.** Subsection (d) of Section 1512 of Title 5, Guam Code Annotated, is hereby
23 amended to read as follows:

24 “(d) **Valid and Binding ~~Limited~~ Obligations.** ~~Except as may be determined by I~~
25 ~~Maga’lahen Guåhan [the Governor] in accordance with this subsection (d), any~~ The bonds authorized
26 by this Section shall constitute the valid and ~~legally~~ binding general ~~limited~~ obligations of the
27 government of Guam, additionally payable from and secured by a pledge of the revenues described in
28 subsection (e) of this Section. ~~Any notes authorized by this Section may also be payable from and~~

1 secured by a pledge of the proceeds of the bonds authorized by this Section. As determined by I
2 *Maga'lahañ Guåhan* [the Governor], any bonds authorized by this Section may constitute the valid and
3 binding general obligations of the government of Guam. To the extent I *Maga'lahañ Guåhan* [the
4 Governor] makes such a determination (i) the The government of Guam pledges its full faith and credit
5 for the punctual payment of both principal of and interest on the bonds and covenants that there shall be
6 collected annually in the same manner and at the same time as government revenue for other purposes is
7 collected, such sum as is required to pay the principal of and interest on the bonds. (ii) such pledge shall
8 be valid and binding from the time the pledge is made, and there (iii) There are hereby appropriated
9 from the General Fund such sums as may be necessary will equal in each year in addition to the amounts
10 appropriated under subsection (e) of this Section to equal the amount of money necessary to pay the
11 principal and interest on such bonds. All officers charged by law with any duty in the collection of the
12 revenues of the government from which debt service on the bonds will be payable shall do every lawful
13 thing necessary to collect such sum. The validity of any such bonds shall not be affected by the validity
14 or regularity of any proceedings for the payment of the General Fund expenses paid or to be paid with
15 the proceeds of funded by the bonds.

16 **Section 5.** Subsection (e) of Section 1512 of Title 5, Guam Code Annotated, is hereby
17 amended to read as follows:

18 **“(e) Source of and Security for Payment.** ~~Except as may be determined by I~~
19 ~~*Maga'lahañ Guåhan* [the Governor] in accordance with subsection(d) of this Section, the The bonds~~
20 ~~shall be made payable solely from, and shall also be secured solely by a first lien pledge of any or all of~~
21 ~~the revenues derived by the government of Guam from taxes against persons on account of their~~
22 ~~businesses and other activities in Guam whether now or hereafter imposed or levied by the government~~
23 ~~pursuant to Section 26201 of Chapter 26 of Division 2 of Title 11, Guam Code Annotated or any~~
24 ~~successor other provision of law (the “Revenues”) and shall not be payable from or secured by any~~
25 ~~other source or sources of revenue except as may be authorized by statute, except that the notes may also~~
26 ~~be payable from and secured by a pledge of the proceeds of the bonds. Any Such pledge made~~
27 ~~hereunder shall be valid and binding from the time the bonds are issued the pledge is made. The~~
28 ~~Revenues pledged and thereafter received by the government of Guam or by any trustee, depository or~~

1 custodian shall be deposited in a separate account and shall be immediately subject to the lien of such
2 pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and
3 binding against all parties having claims of any kind in tort, contract or otherwise against the
4 government of Guam or such trustee, depository or custodian, irrespective of whether the parties have
5 notice thereof. The indenture or certificate by which the bonds are issued and such pledge is created
6 need not be recorded. Any such pledge shall be a first lien, and shall not be subordinate to any other use
7 of Revenues. Any such pledge may be made subordinate to the use of Revenues to pay existing general
8 obligation debts of the government of Guam.”

9 **Section 6.** Subsection (j) of Section 1512 of Title 5, Guam Code Annotated, is hereby
10 amended to read as follows:

11 “(j) **Form of Bonds; Covenants; Appointment of Fiduciaries.** The technical form
12 and language of the bonds, including provisions for execution, exchange, transfer, registration, paying
13 agency, lost or mutilated bonds, negotiability, cancellation and other terms or conditions not inconsistent
14 with this Section, including covenants relating to the collection of Revenues, shall be as specified in the
15 certificate or indenture executed by *I Maga’lahen Guåhan* authorizing the issuance of the bonds. The
16 certificate or indenture shall appoint one or more trustees, co-trustees or other fiduciaries authorized to
17 receive and hold in trust the proceeds of the bonds, the Revenues and other moneys relating thereto, to
18 protect the rights of bondholders and to perform such other duties as may be specified in the indenture. *I*
19 *Maga’lahen Guåhan* is also authorized to execute, on behalf of the government of Guam, any
20 appropriate agreements, certificates or other instruments relating to the bonds and the sale of bonds.”

21 **Section 7.** Subsection (k) of Section 1512 of Title 5, Guam Code Annotated, is hereby
22 amended to read as follows:

23 “(k) **Authorization for Credit Enhancement.** *I Maga’lahen Guåhan* is authorized to
24 enter into such contracts or agreements with such banks, insurance companies or other
25 financial institutions as he determines are necessary or desirable to improve the security
26 and marketability of the bonds issued under this Section. Such contracts or agreements
27 may contain an obligation to reimburse, with interest, any such banks, insurance
28 companies or other financial institutions for advances used to pay principal of or interest