

I Mina'trentai Siette Na Lihelaturan Guåhan
BILL STATUS

BILL NO.	SPONSOR	TITLE	DATE INTRODUCED	DATE REFERRED	CMTE REFERRED	FISCAL NOTES	PUBLIC HEARING DATE	DATE COMMITTEE REPORT FILED	NOTES
274-37 (COR)	Sabina Flores Perez Therese M. Terlaje Chris Barnett	AN ACT TO ADD A NEW §14242 AND §14243 TO ARTICLE 2, CHAPTER 14, TITLE 12, GUAM CODE ANNOTATED, RELATIVE TO CREATING A COMMERCIAL PAPER PROGRAM FOR THE GUAM WATERWORKS AUTHORITY, APPROVING THE TERMS AND CONDITIONS OF THE ISSUANCE OF GUAM WATERWORKS AUTHORITY REVENUE BONDS, AND AUTHORIZING GUAM WATERWORKS AUTHORITY TO OBTAIN LOANS FROM TIME TO TIME THROUGH THE WATER INFRASTRUCTURE FINANCE AND INNOVATION ACT OF 2014 (WIFA) PROGRAM, AND RELATED MATTERS.	4/17/24 3:59 p.m.	4/19/24	Committee on Environment, Revenue and Taxation, Labor, Procurement, and Statistics, Research, and Planning	Request: 4/19/24 4/29/24			



COMMITTEE ON RULES

Senator Chris Barnett, Chairperson
I Mina'trentai Siette Na Liheslaturan Guåhan
37th Guam Legislature

April 29, 2024

To: **Joaquin P. Taitague**
Clerk of the Legislature

From: **Senator Chris Barnett** 
Chairperson, Committee on Rules

Subject: **Fiscal Note for Bill No. 274-37 (COR)**

Håfa Adai yan Biba Guåhan!

Find the attached, Fiscal Note for the following bill:

Bill No. 274-37 (COR).

I also request that the same be sent to the respective Chairperson of the Standing Committee, to which this bill has been referred. Kindly forward the same to Management Information Services (MIS) for posting on our website.



**Bureau of Budget & Management Research
Fiscal Note of Bill No. 274-37 (COR)**

AN ACT TO ADD A NEW §14242 AND §14243 TO ARTICLE 2, CHAPTER 14, TITLE 12, GUAM CODE ANNOTATED, RELATIVE TO CREATING A COMMERCIAL PAPER PROGRAM FOR THE GUAM WATERWORKS AUTHORITY, APPROVING THE TERMS AND CONDITIONS OF THE ISSUANCE OF GUAM WATERWORKS AUTHORITY REVENUE BONDS, AND AUTHORIZING GUAM WATERWORKS AUTHORITY TO OBTAIN LOANS FROM TIME TO TIME THROUGH THE WATER INFRASTRUCTURE FINANCE AND INNOVATION ACT OF 2014 (WIFIA) PROGRAM, AND RELATED MATTERS.

Department/Agency Appropriation Information

Dept./Agency Affected: Guam Waterworks Authority	Dept./Agency Head: Miguel C. Bordallo, P.E., GM
Department's General Fund (GF) appropriation(s) to date:	\$0
Department's Other Fund (Specify) appropriation(s) to date:	\$0
Total Department/Agency Appropriation(s) to date:	\$0

Fund Source Information of Proposed Appropriation

	General Fund:	Special Fund:	Total:
FY 2023 Unreserved Fund Balance	\$0	\$0	\$0
FY 2024 Adopted Revenues	\$0	\$0	\$0
FY 2024 Approx. (P.L. 37-42)	\$0	\$0	\$0
Sub-total:	\$0	\$0	\$0
Less appropriation in Bill	\$0	\$0	\$0
Total:	\$0	\$0	\$0

Estimated Fiscal Impact of Bill

	One Full Fiscal Year	For Remainder of FY 2024 (if applicable)	FY 2025	FY 2026	FY 2027	FY 2028
General Fund	\$0	\$0	\$0	\$0	\$0	\$0
Special Fund	\$0	\$0	\$0	\$0	\$0	\$0
Total	1/	\$0	\$0	\$0	\$0	\$0

1. Does the bill contain "revenue generating" provisions? / / Yes / X / No
If Yes, see attachment
 2. Is amount appropriated adequate to fund the intent of the appropriation? /X/ N/A / / Yes / / No
If no, what is the additional amount required? \$ _____ /X/ N/A
 3. Does the Bill establish a new program/agency? / / Yes / X / No
If yes, will the program duplicate existing programs/agencies? /X/ N/A / / Yes
Is there a federal mandate to establish the program/agency? / / Yes / X / No
 4. Will the enactment of this Bill require new physical facilities? / / Yes / X / No
 5. Was Fiscal Note coordinated with the affected dept/agency? If no, indicate reason: /X/ Yes / / No
- / / Requested agency comments not received by due date: _____ / / Other: _____

Analyst: <u>Raymond Y. Rieta, BMA IV</u>	Date: <u>4/26/24</u>	Director: <u>Lester L. Carlson, Jr., Director</u>	Date: <u>APR 26 2024</u>
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Notes:
1/: See additional Comments.

Bureau of Budget & Management Research
Comments on Bill No. 274-37 (COR)

Bill No. 274-37 is an act to 1) create a commercial paper program for the Guam Waterworks Authority (GWA); 2) approving the terms and conditions of the issuance of GWA revenue bonds; and 3) authorizing GWA to obtain loans through the Water Infrastructure Finance and Innovation Act of 2014 (WIFIA) Program, and related matters.

Based on comments received from GWA, the Bill increases GWA’s authority to raise financing using revenue bonds by \$560 million. GWA has recently proposed a Five-Year Financial Plan for FY2025-FY2029 which supports the proposed Capital Improvement Plan for the same period in the amount of \$898 million, as summarized in the table below.

Capital Improvement Program	Total Costs	Percentage
Water Projects	\$433,680,480	48.26%
<i>Water Production</i>	\$ 102,754,617	11.43%
<i>Water Treatment</i>	\$101,884,505	11.34%
<i>Water Distribution</i>	\$203,109,517	22.60%
<i>Water Storage</i>	\$ 25,931,842	2.89%
Wastewater Projects	\$330,461,683	36.77%
Wastewater Collection	\$268,380,943	29.86%
Wastewater Treatment	\$62,080,740	6.91%
Electrical, Monitoring, Control	\$36,437,196	4.05%
General Plant Improvements	\$ 98,154,030	10.92%
Total CIP	\$ 898,733,389	100.0%

As per GWA, the projects are proposed to address the 2024 Partial Consent Decree, remediate emerging contaminants in our water system, reduce water loss, improve GWA’s Supervisory Control and Data Acquisition (SCADA) systems, as well as fund general plant and miscellaneous projects.

The source of funding for the proposed CIP includes \$780 million in new revenue bonds. The bonds are projected to be issued in par amounts of 250 million in FY2025, \$310 million in FY2027, and \$220 million in FY2029. Each 30-year, fixed rate issue is structured with levelized debt service payments, assumes coupon rates between 5% and 5.25%, issuance costs of 1.5% of par, and a funded debt service reserve account. The debt service forecast assumes 50 percent of the annual payment that corresponds to each revenue bond be due in the year of issuance, followed by annual payments thereafter. Bill 274-37 authorizes the first two revenue bond issuances. Debt service related to the proposed revenue bonds are projected to be:

Fiscal Year	Debt Service
FY2025	\$8,242,997
FY2026	16,485,993
FY2027	26,707,309
FY2028	36,928,625
FY2029	44,182,462

The proposed rate increases by GWA are necessary to meet revenue requirements that include the forecasted operations and maintenance expenses, debt service payments, and internally financed capital; maintain required cash reserves; and replenish GWA's Rate Stabilization Fund (RSF).

Fiscal Year	Non-Lifeline Rate Increase	Lifeline Rate Increase
FY2025	29.0%	
FY2026	12.5%	12.5%
FY2027	10.0%	
FY2028	10.0%	
FY2029	10.0%	
Cumulative	71.5%	12.5%

Also included in Bill 274-37 is authorization for short term financing (Tax Exempt Commercial Paper or TECP) as well as authorization to obtain financing through the USEPA WIFIA (Water Infrastructure Finance and Innovation Act) and /or the USDA loan programs. Obtaining financing through these alternate financing vehicles could substantially reduce financing costs and the annual debt service over the 5-year period and therefore the required rate increases.

Fiscal Year	TECP Fees and Interest	Revenue Bonds Debt Service	Debt Service Savings
FY2025	\$530,833	\$8,242,997	\$7,712,164
FY2026	2,473,333	16,485,993	\$14,012,660
FY2027	5,635,000	26,707,309	\$21,072,309
FY2028	8,838,977	36,928,625	\$28,089,648
FY2029	19,427,954	44,182,462	\$24,754,508
Cumulative			\$95,641,289

Fiscal Year	Non-Lifeline Rate Increase with TECP	Non-Lifeline Rate Increase Revenue Bonds Only	Difference
FY2025	17.0%	29.0%	-12.0%
FY2026	6.0%	12.5%	-6.5%
FY2027	6.0%	10.0%	-4.0%
FY2028	6.0%	10.0%	-4.0%
FY2029	15.0%	10.0%	5.0%
Cumulative	50.0%	71.5%	-21.5%