

*I Mina'trentai Singko Na Liheslaturan Guåhan*  
**BILL STATUS**

BILL NO.	SPONSOR	TITLE	DATE INTRODUCED	DATE REFERRED	CMTE REFERRED	PUBLIC HEARING DATE	DATE COMMITTEE REPORT FILED	FISCAL NOTES	NOTES
79-35 (COR)	Sabina Flores Perez Joe S. San Agustin Tina Rose Muña Barnes Telo T. Taitague Louise B. Muña William M. Castro James C. Moylan Jose "Pedro" Terlaje Kelly Marsh (Taitano), PhD	AN ACT TO ADD \$1512.4 TO TITLE 5, GUAM CODE ANNOTATED, RELATIVE TO AUTHORIZING THE GOVERNOR OF GUAM, /MAGA'LAHEN GUÅHAN, TO ISSUE GOVERNMENT OF GUAM BONDS FOR THE PURPOSE OF FINANCING A NEW LANDFILL CELL FOR THE LAYON LANDFILL.	4/10/19 8:35 a.m.	4/19/19	Committee on General Government Operations, Appropriations, and Housing			Fiscal Note Request: 4/22/19  Fiscal Note: 5/2/19	

Senator Amanda L. Shelton,  
Vice Chairperson

Speaker Tina Rose Muña Barnes,  
Member

Vice Speaker Telen Cruz Nelson,  
Member

Senator Kelly Marsh (Taitano), Ph.D.,  
Member

Senator Sabina Flores Perez  
Member

Senator Clynton E. Ridgell  
Member



**COMMITTEE ON RULES**  
**SENATOR RÉGINE BISCOE LEE, CHAIR**  
*I MINA 'TRENTAI SINGKO NA LIHESLATURAN GUÅHAN*  
35<sup>TH</sup> GUAM LEGISLATURE

May 2, 2019

Senator Joe S. San Agustin,  
Member

Senator Jose T. Terlaje,  
Member

Senator Therese M. Terlaje,  
Member

Senator James C. Moylan,  
Member

Senator Mary Camacho Torres,  
Member and  
Chair, Subcommittee on Protocol

# MEMO

**To:** Rennae Meno  
Clerk of the Legislature

**From:** Senator Régine Biscoe Lee  
Chairperson, Committee on Rules

**Re:** Fiscal Note

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*Buenas yan Håfa adai.*

Attached, please find the fiscal note for the following bill:

**Bill No. 79-35 (COR)**

Please forward the same to Management Information Services (MIS) for posting on our website.

For any questions or concerns, please feel free to contact Mary Maravilla, Committee on Rules Director at 472-2461.

Thank you for your attention to this important matter.



**Bureau of Budget & Management Research  
Fiscal Note of Bill No. 79-35 (COR)**

**AN ACT TO ADD §1512.4 TO TITLE 5, GUAM CODE ANNOTATED, RELATIVE TO AUTHORIZING THE GOVERNOR OF GUAM, I MAGA'HAGAN GUÅHAN, TO ISSUE GOVERNMENT OF GUAM BONDS FOR THE PURPOSE OF FINANCING A NEW LANDFILL CELL FOR THE LAYON LANDFILL.**

Department/Agency Appropriation Information	
Dept./Agency Affected: Guam Solid Waste Authority (GSWA)	Dept./Agency Head: Larry J. Gast, General Manager
Department's General Fund (GF) appropriation(s) to date:	-
Department's Other Fund (Specify) appropriation(s) to date: Solid Waste Operations Fund (SWOF)	19,331,352
	<b>\$19,331,352</b>

Fund Source Information of Proposed Appropriation			
	General Fund:	Solid Waste Operations Fund	Total:
FY 2018 Unreserved Fund Balance		\$0	\$0
FY 2019 Adopted Revenues	\$0	\$0	\$0
FY 2019 Appro. (P.L. 34-116 thru _____)	\$0	\$0	\$0
Sub-total:	\$0	\$0	\$0
Less appropriation in Bill	\$0	\$0	\$0
<b>Total:</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Estimated Fiscal Impact of Bill						
	One Full Fiscal Year	For Remainder of FY 2019 (if applicable)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund	\$0	\$0	\$0	\$0	\$0	\$0
Solid Waste Operations Fund	\$0	\$0	\$3,189,414	\$3,139,417	\$3,139,417	\$3,139,417
<b>Total</b>	<b>1/</b>	<b>1/</b>	<b>\$3,189,414</b>	<b>\$3,139,417</b>	<b>\$3,139,417</b>	<b>\$3,139,417</b>

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

Analyst: <u>William P. Fatingfong, BMA Supvr.</u> Date: <u>5/1/19</u>	Director: <u>Lester L. Carlson, Jr.</u> Date: <u>MAY 02 2019</u>
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Footnotes: 1/  
See attachment to fiscal note and comments.

**BUREAU OF BUDGET AND MANGEMENT RESEARCH  
COMMENTS ON BILL NO. 79-35 (COR)**

Bill 79-35 intends to add §1512.4 to Title 5, Guam Code Annotated, relative to authorizing the Governor of Guam, *I Maga'hagan Guåhan*, to issue Government of Guam Bonds for the purpose of financing a new landfill cell for the Layon Landfill.

Pursuant to the U.S. District Court's Order as it relates to the Guam Solid Waste Consent Decree, the government of Guam was tasked with developing a plan of financing to construct the required new Cell 3 vital to the Layon Landfill's revenue production capacity.

According to the Guam Solid Waste Authority (GSWA), Bill 79-35 is based on draft legislation proposed as Exhibit A to the Government of Guam's Financial Plan for Cell 3 as submitted by Office of the Attorney General in the District Court of Guam, Territory of Guam, Civil Case No. 02-00022. The proposed legislation seeks to issue bonds to finance a new landfill Cell 3 for the Layon Landfill not to exceed \$30,000,000.00. Per GSWA, the funding source is the tipping fees that are required of GSWA to make annual payments for the next 12 years. GSWA will generate sufficient revenues to support the operational expenditures and the new debt shown in the GovGuam filings regarding Cell 3 financing as presented to the District Court of Guam.

The Government of Guam's Financing Plan involved a dual approach which includes two main options: 1. Bond Financing and 2. Construction Loan. Both options would require legislative authorization and approval, Bond Counsel drafted legislation and a Request For Proposal (RFP) for the proposed financing.

The Cost Estimates based on the two Financing Plan options included two scenarios of a project amount of \$25,000,000 and of \$30,000,000 and are as follows:

Project Cost/Term	\$25,000,000 at 10 Years		\$30,000,000 at 12 Years	
	Construction Loan (w/GO Guarantee)	Bond Financing (w/GO Guarantee)	Construction Loan (w/GO Guarantee)	Bond Financing (w/GO Guarantee)
Monthly Payment	275,560	252,264	290,293	261,618
Annual Payment	3,306,721	3,027,168	3,483,522	3,139,417
Total Interest	8,067,208	5,271,685	11,802,262	7,673,001

1. Project Amount: \$25,000,000 and \$30,000,000;
2. Projected Interest Rate for a Construction Loan (6%) and Bond Financing with a General Obligation Guarantee (4% including costs of issuance);
3. Term of 10 Years (for \$25,000,000) and 12 Years (for \$30,000,000)

According to comments received from GEDA, the main driver of this Financing Plan was the timeliness in which funding could be available to begin the construction of the new Cell 3 which, according to the Receiver, will require two dry seasons to construct; construction is set to begin in July 2019. Cells 1 and 2 are projected to be at full capacity by 2021-2022, which are also major factors in determining the Financing Plan alternatives.

Per GEDA, the following are KEY considerations for the proposed financing:

- Government of Guam issue a General Obligation bond in order to secure the best interest rates and terms. Although GSWA system has been in operation for numerous years, a lack of GSWA operational history will be a hindrance in securing reasonable, cost-effective, and timely financing.
- The solid waste tipping fee revenues will be the source of repayment of the debt service with deposits made to the Trustee on a monthly basis.
- Based on GEDA's estimates, such a Bond Financing would yield a projected interest rate of 4% inclusive of all cost of issuance. Should terms and conditions of the RFP for the Construction Loan prove to not be in the best interest of GSWA and the Government of Guam considering the alternative Bond Financing projected interest rate, GEDA will cancel the RFP and move forward with bond financing.
- The projected interest rate quoted for a construction loan of 6% was based on GEDA's recent past experience in issuing an RFP for interim financing for a construction project with even more favorable terms such as a \$9.2 million project amount and a 3-year term which yielded an offered percentage of 6%.
- The projected interest rate for a General Obligation was based upon the market conditions and past experience with the issuance of General Obligation bonds as well as consultation with GEDA's bond underwriters.

Although the comments provided by GEDA noted a projected debt service for the financing option at \$25.0 M for 10 years, the actual Financing Option, Monthly Payments, Annual Payments, and Total Interest being pursued are for a Project Amount / Term of \$30.0 M for 12 Years.