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Government of Guam Solid Waste Funds – Fiscal Year 2019 Financial Highlights

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Hagåtña, Guam – The Office of Public Accountability released the Government of Guam (GovGuam) Solid Waste Funds financial statements and reports of compliance and internal controls, management letter, and letter to those charged with governance for fiscal year (FY) 2019. Independent auditors Deloitte & Touche, LLP rendered an unmodified (clean) opinion on the financial statements. One deficiency on internal control over financial reporting was identified.

The Guam Solid Waste Funds financial statements include three funds: (1) Solid Waste Operations Fund, (2) Capital Projects Funds, and (3) Debt Service Fund. These funds collectively ended FY 2019 with a net gain of \$35.8 million (M), which is a significant increase of \$39.5M from the prior year's net loss of \$3.8M.

Coronavirus (COVID-19) Impact

In March 2020, the Governor of Guam issued Executive Order 2020-03 ordering the closure of all schools and non-essential GovGuam agencies and private sector businesses. The Guam Solid Waste Authority (GSWA) closed its offices to the public and required all non-essential employees to work from home. GovGuam expects this matter to negatively impact commercial tipping fee collections. Due to significant uncertainties caused by COVID-19, GSWA is unable to reasonably estimate its ultimate financial impact.

Transition from Receiver to GovGuam

In 2008, the United States District Court of Guam (the Court) appointed Gershman, Brickner, and Bratton (GBB) to enforce the Consent Decree¹ and assume GSWA operations from GovGuam.

In April 2019, the Court issued an order regarding partial end of receivership turning day-to-day GSWA operations from the Receiver to GSWA management effective May 2019. The Receiver's remaining responsibilities include the closure of Ordot Dump.

Receiver fees paid to GBB amounted to \$960 thousand (K) in FY 2019 for a total of \$21.8M since 2008. Of the total, \$3.9M was paid by the General Fund.

GovGuam Payments for Solid Waste Related Bonds

In July 2019, GovGuam issued \$27.6M Series A General Obligation Bonds. The bonds were primarily used to finance the construction of a new cell for the Layon Municipal Sanitary Landfill operated by GSWA, and to pay costs associated with the issuance of the bonds. Section 30 Bonds

¹ Consent Decree includes opening a new landfill and closure of the Ordot Dump.

2016 Series A issuance of \$236.6M continues to be backed by GovGuam with interest and principal payments for these bonds from the Section 30 federal income tax collections.

In FY 2019, GovGuam paid \$16.9M for the principal and \$77.0M for interest on the 2016 bonds. These bonds will mature in 2046 where GovGuam’s cumulative payment will total \$353.5M, of which \$126.3M is interest.

Table 1: Limited Obligation Bonds, 2016 Series A Payment Schedule

Year ending September 30,	Principal	Interest	Total
2020	\$ 9,860,000	\$ 11,112,750	\$ 20,972,750
2021	10,375,000	10,606,875	20,981,875
2022	10,915,000	10,074,625	20,989,625
2023	11,475,000	9,514,875	20,989,875
2024	10,140,000	8,974,500	19,114,500
2025 - 2029	51,405,000	37,436,125	88,841,125
2030 - 2034	66,720,000	22,666,500	89,386,500
2035 - 2039	26,330,000	9,564,000	35,894,000
2040 - 2044	17,305,000	5,414,375	22,719,375
2045 - 2047	12,660,000	970,750	13,630,750
	<u>\$ 227,185,000</u>	<u>\$ 126,335,375</u>	<u>\$ 353,520,375</u>

GovGuam will continue to assume the bond payments using the Section 30 funds at GSWA’s current rate. Should GovGuam seek reimbursement from GSWA, it will need to adopt the full government reimbursement rate. To date, no action has been taken to adopt a new rate for GSWA.

Table 2: Rate Options

Customer Type	Current Rate*	Full Gov’t Reimbursement Rate
Commercial (per ton)	\$ 172	\$ 225
Residential (per month)	\$ 30	\$ 35
Residential Transfer Station	\$ 7.50 / \$ 15	\$ 7.50 / \$ 15
Cost to GovGuam	\$ 7,483,397	\$ -

Revenues Increased and Expenditures Decreased

The Guam Solid Waste Fund reported total revenues of \$40.5M in FY 2019, an increase \$4.2M from FY 2018. A major portion of the increase was from the transfer of \$21.0M from the General Fund for bond payments. The prior year’s fund transfer of \$16.9M increased by \$4.0M or 24% in the current year. Operating revenues of \$19.3M minimally decreased by \$6K or 0.03%. Tipping fees, GSWA’s major source of revenue, slightly increased by \$2K or 0.01% from \$18.9M in FY 2018.

Total expenditures decreased by \$3.7M, from \$40.1M in FY 2018 to \$36.4M in FY 2019. This decrease was mainly due to the decrease in solid waste operational costs of \$4.2M from \$20.0M in FY 2018 to \$15.8M in FY 2019. In addition, a decrease in capital project expenditures of \$3.3M, from \$6.0M in FY 2018 to \$2.7M in FY 2019.

Compliance Report

Independent auditors found GSWA procured temporary staffing services of \$924K via sole source procurement. GSWA cited Title 10, Chapter 51A, §51A118(b) of the Guam Code Annotated to continue contract for no more than three (3) years from the date of transfer of management from federal receivership.

For a more detailed discussion on GSWA’s operations, refer to the Management’s Discussion and Analysis or view the reports in their entirety at www.opaguam.org.