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Government of Guam Solid Waste Funds – FY 2021 Financial Highlights

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The Office of Public Accountability has released the Government of Guam (GovGuam) Solid Waste Funds financial statements, report on compliance and internal control, and the auditor's communication with those charged with governance for fiscal year (FY) 2021. Independent auditors Deloitte and Touche, LLP rendered an unmodified (clean) opinion on the financial statements.

The Guam Solid Waste Funds (GSWF) financial statements include three funds: (1) Solid Waste Operations Fund, (2) Capital Projects Funds, and (3) Debt Service Fund. These funds collectively ended FY 2021 with a decrease in total fund balance (net loss) of \$12.05 Million (M) (or 26%), from \$46.58M in FY 2020 to \$34.53M in FY 2021. This was primarily attributed to the decrease in the Capital Projects Fund of \$11M due to ongoing new cell construction activities associated with the Layon Landfill.

Coronavirus (COVID-19) Impact

Subsequent to the Governor of Guam's issuance of Executive Order 2020-03 in March 2020, GovGuam received direct aid under the Coronavirus Act Relief and Economic Security (CARES) Act of \$118M, of which \$56 Thousand (K) and \$34K was made available to the Guam Solid Waste Authority (GSWA) in FY 2021 and FY 2020, respectively. In addition, GovGuam received \$553.6M under the American Rescue Plan Act (ARPA) of which \$546K was made available to GSWA in FY 2021 to help defer a rate.

Revenues Increased and Expenses Decreased

GSWF reported total revenues of \$40.1M in FY 2021, which is a \$596 thousand (K) increase (or 1.5%) from \$39.5M in FY 2020. The increase was primarily due to the \$341K (or 1.9%) rise in tipping fee revenues, which is GSWA's major source of revenue, and a \$546K increase in transfers from ARPA offset by the \$329K (or 98.5%) decrease in interest income. The significant decrease in interest income was due to a reduction in cash account by \$11M for the construction of Cell 3 at the Layon Landfill.

Total expenditures for FY 2021 amounted to \$52.2M, which is a \$6.6M decrease (or 11%) compared to \$58.8M in FY 2020. This is due, in part, to the \$8.3M decrease (or 43%) in capital projects expenditures offset by the \$1.3M increase in debt service payments.

The Transition from Receiver to GovGuam

In April 2019, the United States District Court of Guam issued an order regarding the partial end of receivership turning over day-to-day operations of GSWA from the Receiver to GSWA management, effective April 30, 2019. The Receiver's remaining responsibilities include the approval of the Ordot Dump Post Closure Care Plan by the U.S. Environmental Protection Agency (USEPA) and Guam Environmental Protection Agency (Guam EPA), and the issuance of a Post Closure Permit.

In consultation with the Receiver, USEPA issued an estimated revised technical path for Ordot’s Post Closure Care Plan approval and issuance of the Post Closure permit date to June 1, 2021. Under the order, GSWA was required to fully fund by August 2026 an account held in trust to pay for the estimated future costs of the Ordot landfill until GovGuam can reclaim it for an alternative use. Guam EPA with concurrence with USEPA issued the Ordot Post Closure Care permit on January 2022.

Receiver fees paid to Gershman, Brickner, and Bratton amounted to \$204K in FY 2021 for a total of \$22.1M since March 2008. Of the total amount, the General Fund partially funded \$3.8M with the remaining paid from the Solid Waste Operations Fund.

GovGuam Payments for Construction of New Landfill

In 2019, GovGuam issued \$27.6M in General Obligation Bonds, 2019 Series A. The bonds were primarily used to finance the construction of a new cell for the Layon Landfill operated by GSWA, which are backed solely by the full faith and credit of GovGuam. Total principal and interest remaining on the General Obligation Bond are \$33M payable through November 2031.

GovGuam will continue to assume the bond payments using the Federal 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 1. 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	\$ -

Report on Internal Control and Compliance

GSWA had findings relative to the sole-source procurement for temporary staffing services for ten (10) consecutive years since FY 2011 and remains unresolved as of FY 2021. During the year ended September 30, 2021, local funds of \$1.2M were expended, which did not demonstrate a competitive procurement or which were procured through a possible inappropriate procurement method.

Independent auditors recommended GSWA follow established procurement regulations consistently for all procurements and use the appropriate method of source selection.

The auditee responded that Title 10, Chapter 51A, §51A118(b) of the Guam Code Annotated, allows GSWA to continue the contract for no more than three (3) years from the date of transfer of management from federal receivership. However, GSWA plans to bid out the services before the 3-year period lapses.

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