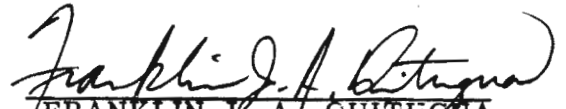


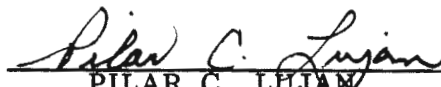
NINETEENTH GUAM LEGISLATURE  
1987 (FIRST) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR


This is to certify that Substitute Bill No. 346-A (LS), "AN ACT TO AUTHORIZE THE ISSUANCE OF LIMITED OBLIGATION BONDS OF THE GOVERNMENT OF GUAM FOR REFUNDING PURPOSES," was on the 9th day of April, 1987, duly and regularly passed.

  
FRANKLIN J. A. QUITUGUA  
Speaker

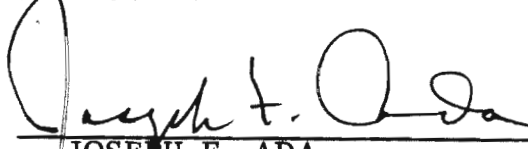
Attested:

  
PILAR C. LUJAN  
Senator and Legislative Secretary

-----  
This Act was received by the Governor this 14<sup>th</sup> day of April, 1987, at 9:45 o'clock A.m.

  
Assistant Staff Officer  
Governor's Office

APPROVED:

  
JOSEPH F. ADA  
Governor of Guam

Date: April 20th, 1987

Public Law No. 19-2

NINETEENTH GUAM LEGISLATURE  
1987 (FIRST) Regular Session

Bill No. 346-A (LS)  
Substitute by Committee on  
Economic Development and Banking  
further substitute  
Committee on Rules

Introduced by:

H. D. Dierking  
T. S. Nelson  
J. F. Quan

---

AN ACT TO AUTHORIZE THE ISSUANCE OF  
LIMITED OBLIGATION BONDS OF THE  
GOVERNMENT OF GUAM FOR REFUNDING  
PURPOSES.

1 BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:  
2 Section 1. A new Section 6128 is added to the Government Code to  
3 read:

4 "Section 6128. The Governor of Guam is authorized to negotiate a  
5 debt or debts of the government of Guam in aggregate principal  
6 amount not to exceed Thirty-Five Million Dollars (\$35,000,000) for the  
7 purpose of refunding all or any remaining unpaid portion of the  
8 Government of Guam Limited Obligation Highway Bonds, 1985 Series A,  
9 and to pay expenses in connection with such refunding. The terms  
10 and conditions of the debt or debts shall be approved by the  
11 Legislature by statute. The provisions of 12 GCA §2103(k) shall not  
12 apply to such debt or debts."

13 Section 2. Legislative Intent. The Legislature intends that in  
14 expending funds derived pursuant to Resolution No. 75 of the Eighteenth

1       Guam Legislature, that priority shall be given in the following order to  
2       these highway projects:

3	85-05	Reconstruction of Route 2, (from Agat to	
4		Umatac)	\$4.5 million
5	85-01	Reconstruction of Route 8, Phase 1	4.0 million
6	85-02	Reconstruction of Route 1, (from Y-Sengsong	
7		Road to Gayinero Road)	6.2 million
8	85-07	Reconstruction of Route 1, (from Route 4 to	
9		Route 11 intersection)	6.2 million
10	85-08	Reconstruction of Route 1 (from Route 11 to	
11		Route 2A intersection)	4.8 million
12	85-09	Extension of Chalan Kanton Tutujan in Sinajana	
13		to Route 7 (Agana Heights)	2.5 million
14	85-04	Interchange on Route 1 in Agana	<u>5.0 million</u>
15		Grand Total	\$33.2 million.

NINETEENTH GUAM LEGISLATURE

ROLL CALL SHEET

Bill No. 346A

DATE: 4-9-87

Res. No. \_\_\_\_\_

QUESTION: \_\_\_\_\_

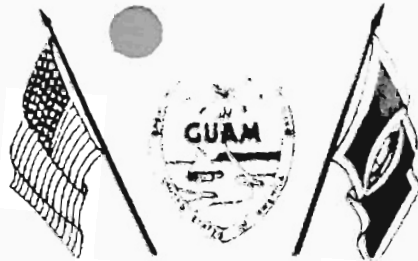
SENATOR	AYE	NAY	NOT VOTING	ABSENT
<u>E. P. Arriola</u>	✓			
<u>J. G. Bamba</u>	✓			
<u>H. D. Dierking</u>	✓			
<u>E. R. Duenas</u>	✓			
<u>E. M. Espaldon</u>	✓			
<u>F. J. Gutierrez</u> +	✓			
<u>M. K. Hartsock</u>	✓			
<u>A. C. Lamorena III</u>	✓			
<u>P. C. Lujan</u>	✓			
<u>M. D. A. Manibusan</u>				✓
<u>J. G. Miles</u>				✓
<u>T. S. Nelson</u>	✓			
<u>D. Parkinson</u>				✓
<u>J. F. Quan</u>	✓			
<u>F. J. Quitugua</u>	✓			
<u>J. M. Rivera</u>	✓			
<u>M. C. Ruth</u>	✓			
<u>J. T. San Agustin</u>	✓			
<u>P. C. Sanchez</u>	✓			
<u>F. R. Santos</u>	✓			
<u>A. J. Shelton II</u>	✓			

18

3

NY SHELTON

COMMITTEE ON RULES



19TH GUAM LEGISLATURE

Vice-Chairman  
COMMITTEE ON ENERGY, UTILITIES  
AND CONSUMER PROTECTION  
Member  
COMMITTEE ON EDUCATION  
COMMITTEE ON TOURISM  
TRANSPORTATION AND COMMUNICATION  
COMMITTEE ON ECONOMIC  
DEVELOPMENT AND BANKING  
COMMITTEE ON FEDERAL, FOREIGN  
AND LEGAL AFFAIRS

P.O. BOX CB-1 AGANA, GUAM 96910 TELEPHONE (671) 472-3408, 472-3409

April 8, 1987

Honorable Franklin J.A. Quitugua  
Speaker  
Nineteenth Guam Legislature  
P.O. Box CB-1  
Agana, Guam 96910

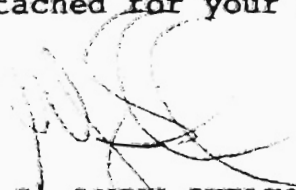
Dear Mr. Speaker:

The Committee on Rules at its Rules meeting on Wednesday, April 8, 1987, approved the placement of Bill No. 346-A, second item on the Second Reading File; and hereby transmits to the full Legislature Bill No. 346-A, as Substituted by the Committee on Economic Development and Banking and further Substituted by the Committee on Rules.

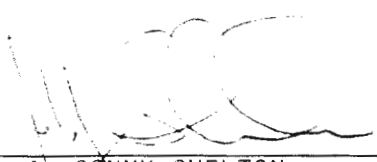
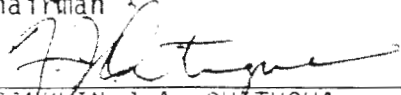




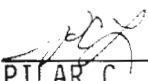
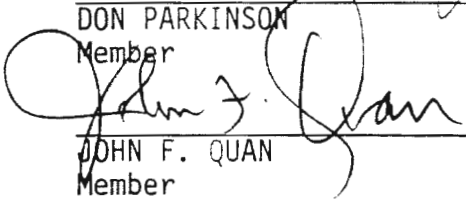
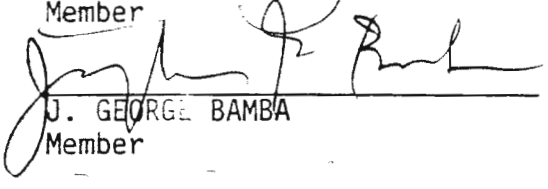
The Committee voting record for passage of Substitute Bill No. 346-A is as follows:

TO PASS	<u>13</u>
NOT TO PASS	<u>0</u>
TO REPORT OUT ONLY	<u>0</u>
TO PLACE IN INACTIVE FILE	<u>0</u>

A copy of the report and all other pertinent documents are attached for your information.

  
A. J. SONNY SHELTON  
Chairman

Attachments

	TO PASS	NOT TO PASS	TO REPORT OUT ONLY	TO PLACE IN INACTIVE FILE
 A. J. SONNY SHELTON Chairman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 FRANKLIN J.A. QUITUGUA Speaker	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 ELIZABETH P. ARRIOLA Member	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 HERMINIA D. DIERKING Member	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 FRANKLIN J. GUTIERREZ Member	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 MARCIA K. HARTSOCK Member	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 PILAR C. LUJAN Member	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TED S. NELSON Member	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DON PARKINSON Member	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 JOHN F. QUAN Member	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>ABSENT</b>				
JOE T. SAN AGUSTIN Member	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PEDRO C. SANCHEZ Member	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FRANCISCO R. SANTOS Member	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ALBERTO C. LAMORENA III Member	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 J. GEORGE BAMBA Member	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
JERRY M. RIVERA Member	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

REPORT OF THE  
COMMITTEE ON RULES  
Bill No. 346A

The Committee on Rules met at 1:00 p.m. Wednesday, April 8, 1987, and discussed Bill No. 346A, substitute by Committee on Economic Development and Banking for placement on session agenda for Wednesday, April 8, 1987 session at 3:00 p.m.

Bill No. 346A, reported out by the Committee on Economic Development and Banking on April 6, 1987 with a recommendation to pass the bill as substituted, was further substituted by the Committee on Rules.

The further substituted version of Bill 346A by the Committee on Rules contains the following changes from Bill 346A as reported out by the Committee on Economic Development and Banking:

1. The Section added to the Government Code in Section 1 of the bill was changed from Section 6125 to Section 6128. This change in reference to section number was carried throughout the bill in subsection (e) of the section.

2. The reference to the Legislature's approving the terms and conditions of the debt by resolution, as specified in subsection (a) of Section 6125 of the Government Code in Section 1 of the previous Committee's report, was changed to reflect that the terms and conditions of the debt are to be approved by statute. A like reference in subsection (e) to approving the pledge made to secure the bonds by legislative resolution was also changed to reflect that the pledge made to secure the bonds is to be subject to approval by the Legislature by statute.

3. A typographical error in subsection (e) wherein subchapter D of Chapter VI of Title XX of the "government of Guam" was changed to "Government Code".

The bill, with the above changes incorporated, was approved by the Committee on Rules for placement second on the second reading file for the Wednesday, April 8, 1987 session at 3:00 p.m.

EIGHTEENTH GUAM LEGISLATURE  
1985 (FIRST) Regular Session

Resolution No. 75  
as amended (4/23/85)

Introduced by:

J. T. San Agustin  
F. R. Santos  
C. T. C. Gutierrez

---

F. J. Gutierrez  
F. J. Quitugua  
D. Parkinson  
H. D. Dierking  
J. F. Ada  
M. D. A. Manibusan  
A. R. Unpingco  
J. P. Aguon  
E. P. Arriola  
P. C. Lujan  
T. S. Nelson  
J. G. Bamba  
F. F. Blas  
E. R. Duenas  
A. C. Lamorena III  
J. Miles  
J. M. Rivera  
T. V. C. Tanaka

Relative to Legislative approval of Highway Bonds to be issued by the Government of Guam in a principal amount not to exceed Thirty-five Million Dollars (\$35,000,000), a final maturity not exceeding twenty-five years and bearing interest at rates not exceeding twelve and one-half percent (12.5%) per annum.

1 BE IT RESOLVED BY THE LEGISLATURE OF THE TERRITORY OF  
2 GUAM:

3 WHEREAS, Sections 6123 and 6124 of the Government Code, as  
4 amended, provide that the Governor is authorized to create a debt or debts  
5 of the Government of Guam in an aggregate principal amount not to exceed  
6 Thirty-five Million Dollars (\$35,000,000) for the purpose of implementing  
7 capital improvement highway projects; and

8 WHEREAS, Section 6123 of the Government Code, as amended, provides  
9 that the terms and conditions of debt or debts shall be approved by the



1 Legislature by resolution and Section 6124 of the Government Code provides  
2 that any pledge of the revenues from the taxes therein described shall be  
3 subject to approval by the Legislature by resolution; and

4 WHEREAS, 12 GCA Section 2103(k) provides that agencies and  
5 instrumentalities of the government shall issue bonds and other obligations  
6 only by means of and through the agency of the Guam Economic  
7 Development Authority; and

8 WHEREAS, the Board of Directors of the Guam Economic Development  
9 Authority has adopted a resolution approving the sale of bonds of the  
10 government for the purpose of financing capital improvement highway  
11 projects; and

12 WHEREAS, 12 GCA Section 2103(k) provides that the Guam Economic  
13 Development Authority shall not sell any bond without the approval of the  
14 Legislature of the terms and conditions of the issuance of the bonds; and

15 *Sec 12* WHEREAS, the legislature intends that in expending funds derived  
16 pursuant to this resolution, priority shall be given in the following order to  
17 these highway projects:

18	85-05	Reconstruction of Route 2, (from Agat to	
19		Umatac)	\$4.5 million
20	85-01	Reconstruction of Route 8, Phase I	4.0 million
21	85-02	Reconstruction of Route 1, (from Y-Sengsong Road to	
22		Gayinero Road)	6.2 million
23	85-07	Reconstruction of Route 1, (from Route 4 to Route 11	
24		intersection)	6.2 million
25	85-08	Reconstruction of Route 1 (from Route 11 to Route 2A	
26		intersection)	4.8 million
27	85-09	Extension of Chalan Kanton Tutujan in Sinajana to Route 7	
28		(Agana Heights)	2.5 million
29	85-04	Interchange on Route 1 in Agana	<u>5.0 million</u>
30		Grand Total	\$33.2 million;

31 and

32 WHEREAS, the legislature expects that in designing these construction  
33 projects the Department of Public Works shall consider traffic safety

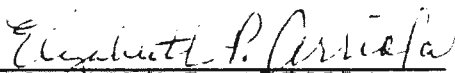
1 reports, including fatality reports, in order to improve highway safety;  
2 now, therefore, be it

3 RESOLVED, that the Eighteenth Guam Legislature, pursuant to Section  
4 6123 of the Government Code, and pursuant to 12 GCA Section 2103(k),  
5 approve the issuance by the Government of Guam of limited obligation  
6 highway bonds in a principal amount not to exceed Thirty-five Million  
7 Dollars (\$35,000,000), with a final maturity not exceeding twenty-five (25)  
8 years and bearing interest at rates not exceeding twelve and one-half  
9 percent (12.5%) per annum pursuant to the Government of Guam Limited  
10 Obligation Highway Bond Indenture in substantially the same form as  
11 presented to this Legislature; and be it further

12 RESOLVED, that the Eighteenth Guam Legislature, pursuant to Section  
13 6124 of the Government Code, approve the pledge of the revenues from the  
14 taxes described in that code section to secure such bonds; and be it  
15 further

16 RESOLVED, that the Speaker certify to and the Legislative Secretary  
17 attest the adoption hereof and that copies of the same be thereafter  
18 transmitted to the Guam Economic Development Authority; and to the Governor  
19 of Guam.

DULY AND REGULARLY ADOPTED ON THE 23RD DAY OF APRIL, 1985.

  
ELIZABETH P. ARRIOLA  
Senator and  
Legislative Secretary

  
JOE T. SAN AGUSTIN  
Acting Speaker

†



# Nineteenth Guam Legislature

P.O. Box CB-1  
Agana, Guam U.S.A. 96910

March 30, 1987

## MEMORANDUM

TO: Senator John F. Quan  
Chairman, Committee on Economic Development, Insurance & Banking

FROM: Senator Joe T. San Agustin

SUBJECT: Bill No. 346-A - PROPOSED \$39 MILLION REFUNDING BONDS

- 1) Understand that \$39 million is the principal amount to "refund" an outstanding bonds of \$35 million.
- 2) What amount of principal supportable through capitalization of the debt service on the outstanding debt service on the outstanding debt at prevailing yield rates likely to be applied to the refunding bonds under consideration? Is there a "table of yield rates"?
- 3) At what "par-re-offering yield curve" at which it is believed that the refunding bonds would be offered for sale if sold at the time of estimate preparation?
- 4) What would be the principal amount supportable by the debt service based on the re-offering yield curve?
- 5) Aside from what is already made "public" of the cost of issuance of refunding bonds, what are the other costs involved, i.e. bond counsels, original issue discount, marketing fee, and cost of discount, trustee and depository fees?
- 6) It appears that the "call" would be applied to the outstanding bonds in the amount of \$10,720,000, what is the present value of the "call premiums"? Please note that these serial bonds bear coupon rates between 5 1/2% in 1986 to 8.40% in 1995 at par. The remaining \$24,280,000 were sold at 9 1/4% due May 1, 2005 at 1/2% discount.
- 7) In addition to the above concerns, it is noted that the Administration is seeking additional \$6.0 million to fund the San Vitores Reconstruction Project and the Sewage Reversal to the Northern District Sewage System. The Administration is suggesting that the listed projects as stated in the approving Legislative Resolution for the issuance of the original \$35 million was only "a suggested but not all inclusive list of projects".

Senator John F. Quan  
March 30, 1987  
Page 2

Thus, the funds allocated to Agat-Umatat Road; reconstruction of Route 1 from Route 4 to Route 11; and the extension of Chalan Canton Tutujan in Sinajana could be administratively re-programmed, reduced and/or delayed.

- 8) Aside from the above serious concerns, plus more detailed bond marketing consideration, it is my understanding that the revenues needed to support debt service and maintenance and operation requirements as stipulated in the Bond Indenture were short by over \$2.5 million in 1986; thereby incurring a "Technical Default". Is one of the principal reason for refunding is "to defease to lien"? What provisions in the Bond Indenture that the Administration is finding itself in "default" that needs to be corrected? Thus, if the objective is to "defease", all outstanding bonds must be refunded. This does not appear; however, to be the case. Only \$24,280,000 to be refunded and \$10,720,000 appears to be retired; to be supported by a principal bond issue between \$30,075,000 to \$39,000,000 - netting \$29,785,000 - apparently to achieve present value savings of over \$900,000.
- 9) For your information, the trustee bank (Bankers Trust Co.) as of February 28, 1986 have:

\$ 4,819,969 in Bond Redemption funds  
2,104,093 in Bond fund  
\$ 6,924,062

By February 1987, this figure is estimated to be at least \$8.0 million.

In addition to the above, the Depository Bank (Bank of Guam) as of March 27, 1987 has \$24,696,400 for construction and maintenance and operation purposes.

Thus:

\$ 6,924,062 - Bank Trust - "Trustee"  
24,696,400 - Bank of Guam - "Depository"  
\$ 31,620,462

Please note that on May 16, 1985, the net bond proceeds of the \$35 million issue: \$33,657,652.50

Thus total net disbursement: \$2,037,190.50

Senator John F. Quan  
 March 30, 1987  
 Page 3

Total cost of issuance for \$35 million:

Insurance	\$ 1,500,000
Cost of Bonds Issuance	375,000
Original Issue Discount	121,400
Underwriter Discount	<u>1,347,500</u>
	\$ 3,343,900 or about 9%

For the proposed \$39 million refunding bonds for bonds issued less than 3 years - the insurance will be:

	1985	1987	TOTAL
Insurance	\$ 1,500,000	\$ 1,129,711	
Less Rebates	<u>600,000</u>	<u>600,000</u>	
	\$ 900,000	\$ 529,711	\$ 1,429,711
Underwriter (Goldman Sach)	\$ 1,347,500	\$ 541,350	\$ 1,888,850
	\$ 2,247,500	\$ 1,071,061	\$ 3,318,561

10) In refunding - general factors to be considered!

- a) Size of the debt service reserve funds
- b) Rates at which the "old" fund is invested and at which the "new" funds are to be invested.
- c) Provisions of the debt contract concerning the current use of any interest earned by the Fund.

11) Arbitrage Regulations (U.S. Treasury):

Regulate advance refunding by restricting the yield which may be obtained on the investment of the Funds deposited in escrow with the Trustee for the refunded Bonds.

Escrow Deposit: \$ 29,003,605.98  
 Escrow Investment Rate: 6.7387 (Bond Arbitrage Yield?)

12) Since the current bonds are now on sale, what will be the price for them to be refunded? at Par? At premium? Most likely, at what price 105 or 110 or 140 (as the CNMI Bonds)

What will be the "call" premium costs? Will it be paid out of the proceeds of the refunding bonds?

Senator John F. Quan

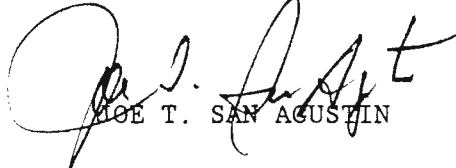
March 30, 1987

Page 4

If the proceeds of the refunding bond sale are allocated to the redemption of the outstanding bonds, the payment of the call premium, and the payment of the interest on the outstanding bonds, at what "rate" will they be reinvested, if they are to be, provided, of course, that the amount needed for the redemption of the \$24,280,000 plus accrued interest equal the refunding bonds "proceeds" at time of settlement?

- 13) On the surface, savings of about 2.5% interest rate over the life of the bond would be very convincing, provided, of course, everything remains constant and fairly supportable.

Would it be possible to get information on the above?



JOE T. SAN ACUSTIN

cc: All Senators



# Nineteenth Guam Legislature

P.O. Box CB-1  
Agana, Guam U.S.A. 96910

**SEN. JOHN F. QUAN**

**CHAIRMAN:** Committee on Economic Development, Insurance & Banking

**VICE CHAIRMAN:** Committee on Education

**VICE CHAIRMAN:** Committee on Tourism, Transportation & Communications

**MEMBER:** Committee on Rules, Committee on Ways & Means

472-3435/477-7569

April 6, 1987

Honorable Franklin J. A. Quitugua  
Speaker  
Nineteenth Guam Legislature  
P. O. Box CB-1  
Agana, Guam 96910

Dear Mr. Speaker:

The Committee on Economic Development and Banking, to which Bill No. 346-A was referred, wishes to report its findings and recommendations.

The Committee voting record on Bill No. 346-A, as Substituted is as follows:

TO PASS	<u>10</u>
NOT TO PASS	<u>-0-</u>
TO REPORT OUT ONLY	<u>-0-</u>
TO PLACE IN INACTIVE FILE	<u>-0-</u>

A copy of the report and all other pertinent documents are attached for your information.

Sincerely,

A handwritten signature in cursive script that reads "John F. Quan".  
JOHN F. QUAN  
Chairman

Attachments

COMMITTEE ON ECONOMIC DEVELOPMENT & BANKING  
 VOTING SHEET ON BILL NO. 346-A

	<u>TO PASS</u>	<u>NOT TO PASS</u>	<u>TO REPORT OUT ONLY</u>	<u>TO PLACE IN INACTIVE FILE</u>
<i>John F. Quan</i> JOHN F. QUAN Chairman	✓			
<i>F. Cutierrez</i> FRANKLIN J. CUTIERREZ Vice Chairman	✓			
<i>Franklin J. A. Quitugua</i> FRANKLIN J. A. QUITUGUA Speaker	✓			
<i>M. K. Hartssock</i> MARCIA K. HARTSOCK Member	✓			
<i>H. Dierking</i> HERMINIA D. DIERKING Member	✓			
<i>P. Sanchez</i> PEDRO C. SANCHEZ Member	✓			
<i>A. J. Sonny Shelton</i> A. J. SONNY SHELTON Member	✓			
<i>George Bamba</i> GEORGE BAMBA Member	✓			
<i>Alberto C. Lamorena, III</i> ALBERTO C. LAMORENA, III Member	X			
<i>Martha C. Ruth</i> MARTHA C. RUTH Member	✓			



NINETEENTH GUAM LEGISLATURE  
1987 (FIRST) REGULAR SESSION

BILL NO. 346-A  
SUBSTITUTED BY THE  
COMMITTEE ON ECONOMIC DEVELOPMENT

Introduced By: H. D. DIERKING  
T. S. NELSON  
J. F. QUAN

AN ACT TO AUTHORIZE THE ISSUANCE OF LIMITED  
OBLIGATION BONDS OF THE GOVERNMENT OF GUAM  
FOR REFUNDING PURPOSES.

1 BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

2 Section 1. A new Section 6125 is added to the Government Code to  
3 read:

4 "Section 6125. (a) The Governor of Guam is authorized to create a  
5 debt or debts of the Government of Guam in aggregate principal  
6 amount not to exceed Thirty-Nine Million Dollars (\$39,000,000) for  
7 the purpose of refunding all or any remaining unpaid portion of the  
8 Government of Guam Limited Obligation Highway Bonds, 1985 Series  
9 A, and to pay expenses in connection with such refunding. The terms  
10 and conditions of the debt or debts shall be approved by the  
11 Legislature by resolution. The provisions of 12 GCA §2103(k) shall  
12 not apply to such debt or debts.

13 (b) Such debt or debts may be created by a loan or other  
14 agreement executed by the Governor containing such terms as are  
15 consistent with this Section or may be created by the issuance of  
16 bonds in one or more series sold at public or private sale for such  
17 price not less than ninety-six percent (96%) of the principal amount  
18 thereof plus accrued interest and on such other terms consistent with  
19 this Section as are determined by the Governor by execution of one or  
20 more certificates on or prior to the issuance of the bonds. The same  
21 or another such certificate may also authorize the proper officers of  
22 the Government of Guam to execute, on behalf of the Government of  
23 Guam, any appropriate documents relating to the bonds and the sale of  
24 the bonds.

25 (c) Any bonds authorized by this Section shall be issued pursuant  
26 to an indenture executed by the Governor on behalf of the Government  
27 of Guam, which indenture shall specify the forms, amounts, maturity  
28 dates, interest rates, interest payment dates, denominations, places  
29 of payment, registration provisions, rights of exchange, redemption  
30 dates and default provisions for such bonds and shall otherwise  
31 provide for the use of proceeds of such bonds and the security for  
32 such bonds, including the pledge authorized by this Section, in a  
33 manner not inconsistent with this Section.

1 (d) Any debt or debts authorized by this Section shall constitute  
2 the valid and legally binding limited obligation of the Government of  
3 Guam payable from and secured by a pledge of the revenues described  
4 in subsection (e) of this Section. The validity of any such debt or  
5 debts shall not be affected by the validity or regularity of any  
6 proceedings for the implementation of capital improvement highway  
7 projects funded by the bonds to be refunded.

8 (e) All or any part of the revenues from the taxes levied pursuant  
9 to subchapter D of Chapter VI of Title XX of the Government of Guam  
10 and from the license fees and penalties imposed pursuant to Sections  
11 23339, 23353, 23361, 23362, 23364, 23365 and 23500 of the  
12 Government Code may be pledged to secure the repayment of any debt  
13 or debts created under Section 6125 of the Government Code. Any  
14 pledge made to secure bonds or for the purposes described in  
15 subsection (f) shall be subject to approval by the Legislature by  
16 resolution pursuant to Section 6125 of the Government Code and shall  
17 be valid and binding from the time the pledge is made. The revenues  
18 pledged and thereafter received by the government or any trustee,  
19 depository or custodian shall be deposited in a separate account and  
20 shall be immediately subject to the lien of such pledge without any  
21 physical delivery thereof or further act, and the lien of any such  
22 pledged shall be valid and binding against all parties having claims of  
23 any kind in tort, contract or otherwise against the government, such  
24 trustee, depository or custodian, irrespective of whether the parties  
25 have notice thereof. The indenture by which such pledge is created  
26 need not be recorded. All such taxes, fees and penalties, to the extent  
27 so pledged, are hereby continuously appropriated for such purpose.

28 (f) The Governor is authorized to enter into such contracts or  
29 agreements with such banks, insurance companies or other financial  
30 institutions as he determines are necessary or desirable to improve  
31 the security and marketability of the bonds. Such contracts or  
32 agreements may contain an obligation to reimburse, with interest,  
33 any such banks, insurance companies or other financial institutions  
34 for advances used to pay principal of or interest on the bonds. Any  
35 such reimbursement obligation may be secured by a pledge of the  
36 revenues described in subsection (e) of this Section.

37 (g) Notwithstanding any substantive or procedural provision of  
38 Chapter VI of Title VII of the Government Code, the Government of  
39 Guam waives immunity from any suit or action in contract on such  
40 bonds."

**COMMITTEE REPORT**  
**COMMITTEE ON ECONOMIC DEVELOPMENT,**  
**INSURANCE & BANKING**

**BILL NO. 346-A: AN ACT TO AUTHORIZE THE ISSUANCE OF LIMITED OBLIGATION BONDS OF THE GOVERNMENT OF GUAM FOR REFUNDING PURPOSES.**

**Bill heard on March 26, 1987**

**ANALYSIS:** Bill No. 346-A, sponsored by Senators H. D. Dierking, T. S. Nelson and J. F. Quan, seeks to refund the already existing Government of Guam Limited Obligation Highway Bonds.

**TESTIMONY:** The hearing commenced at 8:40 a.m. on Thursday, March 26, in the Legislative Session Hall. Committee members present in addition to the chairman were Senators Ruth, Sanchez, Lamorena and Shelton. Senators Gutierrez and Espaldon came in later. Two persons submitted written testimony at the hearing: Carl W. Taitano, representing the Governor's Office, and Peter R. Barcinas, acting Director of the Department of Commerce. Also submitting supporting documents and answering questions was Garland Wood of the firm of Goldman Sachs.

Taitano testified first, indicating that the Governor was in favor of the refunding in order to gain a net savings for the territory. The Governor's Office wished to amend the proposed legislation so that the Governor could give the go-ahead on the issue without further Legislative approval to save time. Taitano said that Goldman Sachs, the original underwriters, approached the Governor's Office last year with the refunding proposal, but the change of Administrations delayed the airing of the proposal until the past few weeks.

Sen. Ruth asked if the information she had received regarding the technical default of the bond issue was true. Taitano said it was a fact, but it was not a serious situation. He said it would be serious if the principal and interest could not be paid, but that was not the case. Taitano added that the conditions put into bonds can cause a technical default when the debt service ratio was below what was stipulated.

Sen. Ruth asked if a bond counsel had been engaged. Taitano said the Administration was in contact with a counsel.

Sen. Quan said that he understood the technical default involved a shortage in the operations fund.

Sen. Shelton asked if Goldman Sachs was making a profit on the refund. Taitano said they were, about one third as much as the Government of Guam would save. Taitano added that the Government would show a net savings overall through the refunding, but added that the refunding had to be done while interest rates were low enough to allow a profit to be made. Sen. Shelton asked about the legal problems reported on television regarding Goldman Sachs and

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Drexel Burnham Lambert's involvement in an illegal scheme. Garland Wood, a partner in the Goldman Sachs firm, answered that he and the company believed their man accused of being involved in the insider trading scheme, Bob Freeman, was in fact innocent and would be vindicated. Shelton said he was concerned that the Administration be fully informed about the latest developments on Wall Street, and added that he favored the savings offered by the refunding.

Taitano said the Administration planned to send out proposals to several firms, and was not endorsing the Goldman Sachs proposal.

Sen. Sanchez thanked Goldman Sachs for bringing the savings to light and supported the Administration's proposals. He asked Wood about their experience in issuing bonds, especially for water projects. Wood said Goldman Sachs had assisted numerous issuers in water related projects in the 50 states.

Sen. Sanchez asked if they were working with PUAG on the possibility of developing an issue for water projects. Taitano said such a proposal would have to go through the Debt Advisory Committee for review. Taitano added that the Government of Guam's debt limitation might come into play and guessed there would be a limit of about \$90 million before hitting the limit. Sen. Sanchez said he thought that was what the water development program needed.

Sen. Sanchez asked Wood if he had been in contact with the Administration about other bond issues. Wood said he had not.

Sen. Quan asked Taitano about the May 15 deadline. Taitano said May 15 was when the next payment from the Government of Guam was due on the bond issue and a savings could be made before that time if the bond refunding were approved quickly. He discussed the two proposals being considered. The first would be to have the savings come in the first year, which would give the Government of Guam a savings of some \$1.1 million. Taken over three years the savings could amount to about \$800,000.

Wood added that the savings could be taken over the life of the bond at the rate of about \$50,000 per year. He also added that if the interest rates go up before the refunding is begun, the savings would be less. Sen. Quan asked about the interest rates and Wood said the existing bonds were issued at 9.25%, while the new issue could be sold at about 6.7%. He said the 6.7% could go up or down in the next month, but if it went up the savings would be less.

Sen. Sanchez asked if the interest rates were fixed or floating. Wood said they were fixed.

Taitano pointed out that the savings can't be calculated directly from subtracting the lower interest rate from the higher. He said that the Government of Guam had to borrow more than it did originally to pay off the obligation, but the amount of interest obligation would be lower.

Wood said it was similar to refinancing a mortgage, but it couldn't be paid

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off immediately. The first bond issue cannot be extinguished immediately, but must run at least a ten-year course. The bonds are call-protected for their first ten years. But the Government of Guam could operate as if the first issue were extinguished because funds from the new bond issue would be invested in U.S. Government securities to pay off the first issue.

Sen. Quan asked if the time limit for call protection of the new bond issue would be the same. Wood said they would recommend 10 years again because they don't believe the interest rates will fall much lower.

Sen. Quan asked if the new bond issue would be spreading the payments out over a longer period of time. Wood said no.

Wood asked the Senators to refer to the handouts he provided (Attachment 2) to compare the two debt services, indicating a net savings to the Government of over a million dollars.

Sen. Ruth asked if the Administration supported spreading the savings out over three years. Taitano answered that they were.

Sen. Ruth asked if the pledged amounts would continue to come from liquid fuel tax revenues. Taitano said that was the recommendation.

Sen. Ruth asked if the refunding would affect the technical default currently affecting the present bond issue. Wood said the refunding would improve the Government of Guam's position because the level of indebtedness, and therefore the debt service ratio, would be lower. Wood added that the nature of the technical default was one that was not of major concern and has occurred in the past regarding other bond issues elsewhere.

Sen. Ruth asked if a formal proposal had been made to the Administration. Wood said that it had not been presented and that the formalities would come upon response to the requests to be sent out by the Administration.

Sen. Sanchez asked if a balloon payment was part of the issue. Taitano said there was no balloon payment. Sen. Sanchez asked who would be responsible for the trust fund for the obligations of the first bond. Taitano said the trustee would be responsible.

Sen. Sanchez asked who would guarantee that the money needed would be there when it was due. Taitano said the U.S. Government would because the funds would be invested in U.S. Government securities. Wood concurred. He added that even if Goldman Sachs and the U.S. Government both went broke, the bond indenture permits this sort of action when using U.S. Government securities. Once the funds are in place, the debt is no longer the debt of the Government of Guam.

Sen. Ruth asked Taitano about the status of the highway projects. Taitano said he could not answer that question, that he did not have the information.

Sen. Ruth asked Wood about the fluctuation of interest rates. Wood said he

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could not predict which way the interest rates would go. He suggested preparing all of the paper work so that the Government of Guam could be prepared to act at a moment's notice. If the rates fall, hold back for the lowest possible rate. If they rise, then buy quickly to take advantage of the lowest possible rate.

Sen. Ruth asked about what funds were pledged to cover the retirement bond. Wood said he did not know, and added that funds or sources of funds could not be pledged twice.

Sen. Sanchez asked Taitano if he had the answer to the question. Taitano said he knew Section 30 funds were pledged for the Guam Power Authority and that fuel tax revenues were pledged for the highway bond, but was unsure what was used to pledge for the retirement general obligation bond.

Sen. Ruth asked again about the proposed bond counsel. Taitano said his name was Alfred Schilling, a partner with Carlsmith, Wichman and Case. Taitano added that it was up to GEDA to make the final decision.

Senators Ruth and Sanchez asked about Guam's reputation in the bond market. Wood said that there is a certain taint, but that generally speaking Guam's reputation was still good. He added that the current bonds were rated AAA.

The final person to testify was private citizen Leslie Lummis, who had only oral testimony. Lummis recommended strongly against the bond issue, saying it was too difficult to understand and should not be entertained.

In addition, written testimony was presented after the conclusion of the hearing by Anthony Leon Guerrero, acting Chairman of GEDA. Leon Guerrero agreed with the intent of the legislation and made the following suggestions: that GEDA be restored to a position of authority over the issue; and that the Governor be allowed to proceed without having to return to the Legislature for approval.

The public hearing concluded at 11:35 a.m. The Committee agreed to meet again at 2 p.m. on the same day in the same location to further discuss the bond and related issues.

At the afternoon meeting, acting Director of Commerce Peter Barcinas said that he was in favor of the refunding of the bond issue. Chief Economist of the Department of Commerce Joseph Bradley also spoke favorably about the refunding proposal, saying he was pleased the Committee was acting to take advantage of falling interest rates.

Later in the meeting Sen. Quan asked Wood if the interest rate would be a fluctuating one. Wood replied that it would be fixed but it was still unknown.

Sen. Quan asked if the Government of Guam could be penalized for not using the funds from the bonds in a specific period of time. Wood said he was not an attorney, but believed that if the funds were reasonably expected to be expended on the highway projects, no penalties would ensue.

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Wood added that after a period of time, usually three years, there would be no opportunity for arbitrage and the bond proceeds would then become taxable.

Sen. Ruth asked several questions regarding the mechanics of the operations of the bond, with Wood providing the following answers: The bond trustee of the first issue is Bankers' Trust; the Government of Guam makes monthly deposits into the depository, which is Bank of Guam; it is expected that fuel tax revenues would continue to be sufficient to cover the needs of the refunded bonds; the bond covenants require revenue be generated at 1.20 times the debt service; the trustee could be changed for the second bond issues, much as the bond counsel will probably be changed from Hort Harrington to the firm of Carlsmith, Wichman and Case, who will probably be the Territory's bond counsel of record.

In answer to Sen. Ruth's question about how much the underwriter's fee would be, Wood passed out handouts (attached) indicating his company's offer.

Sen. Quan asked how Wood felt about some of the requests and provisions of the Administration which would remove GEDA and the Legislature from decision making regarding the second bond issue. He didn't know why the Debt Advisory Committee was picked in place of GEDA, but suggested the recommendation to remove the Legislature from the process may have been made in order to save time.

The Committee held a mark up meeting at 2 p.m. on Thursday, April 2, in the Session Hall. Committee members present at the meeting in addition to the chairman, were Senators Dierking, Hartsock, Ruth, Lamorena, Bamba and Gutierrez. Sen. Sanchez came in later.

Sen. Dierking asked about a letter from Sen. San Agustin and if all of the questions were being addressed. Dave Santos indicated a response was being prepared. Sen. Hartsock asked if a response would be ready by Friday, April 3. Santos said he would try, but the information requested was of a very technical nature and he may not make it in time.

Santos said the bill is designed to take the existing \$35 million highway bond, refund a significant portion at a lower interest rate, and therefore earn a significant savings--between \$800,000 and \$1.2 million depending on the timing of the implementation and the method the savings are taken.

According to Santos, more than was originally borrowed has to be borrowed for the refunding in order to set up the escrow trust fund to pay the original bonds over the remainder of their ten-year call protection period. Given the deficit, Santos said, any savings would benefit the Government of Guam.

Sen. Bamba asked how much was going to be floated. Santos said the bill indicated a maximum amount of \$39 million.

Taitano added that the \$39 million was a cap. In answer to a question from Sen. Bamba, Taitano said the amount that would probably be refunded was the

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\$24,280,000 worth of bonds due the year 2005, with call protection until 1995. The other bonds have no call provision. The actual amount to be refunded would depend on the interest rates prevailing at the time. If the bonds are sold at below par, still more would have to be sold in order to refund the first issue.

Sen. Bamba asked what the total debt service was for the present bond issue, and what the debt service would be for the new issue. Taitano said the present debt service was approximately \$57 million. The debt service for the new issue would depend on the interest rate. The lower the interest rate, the more you will have to borrow.

Taitano said the calculation is based on a definitive amount of money, or principal, earning a certain amount of interest in fixed government securities over a specific length of time. If the interest rate or principal, adjustments must be made at the other end. If you don't get all the principal needed in the original sale, additional bonds must be sold to make the necessary amount. That's why a cap is needed.

Santos added that even with a lower interest rate and higher amount borrowed, there will still be a significant budget savings for the General Fund. If the proposal goes through, there would be no need to worry about the first bond issue. The actual cash outlay is the concern, Santos said, and that amount can be reduced by refunding.

Sen. Bamba asked how the limited obligation nature of the bonds would benefit the General Fund. Santos said that as the money is collected from liquid fuel taxes and motor vehicle fees and flows through debt service and the O & M account, the excess is available to the General Fund.

Santos explained that, if the new bond issue is closed before May 1, 1987, the savings this year would be about \$1.1 million. But a \$300,000 overage would be generated in 1988, giving a net savings of about \$800,000. If the issue is closed after May 1, the savings would be spread over three years and be slightly higher.

Sen. Bamba asked if there would be a revenue shortfall in the highway fund. Taitano said the indenture has two components. First, debt service at 120%, or about \$4.5 million. Second, a budgeted item from GovGuam of approximately \$4.5 million for O & M. The O & M budget is being used for the entire island rather than just for the roads being built by the bond as the indenture intended, thereby causing the shortfall.

Sen. Bamba asked how they proposed to budget for O & M for the entire island. Taitano said that was not a concern because the money was still there, coming from the same source. When the problem is resolved, the only thing different would be that the cash for O & M to be paid to the depository would be less, curing the default.



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Santos added that only the preliminary analysis indicated a shortfall. He mentioned the two bills that increased the liquid fuel tax for DOE and the Guam Mass Transit Authority. He felt that the Department of Administration may not yet be classifying those amounts properly. He felt that once the funds were classified properly, any default would be cured. Sen. Bamba said the first lien was on the highway bond fund. Taitano said the first lien was only to meet the bond indenture requirements until the total amount is satisfied.

Sen. Gutierrez asked if the money was stuck in the highway fund. Taitano said there was a legal opinion in that regard, but that it was not really important because once the May payment is made, the amounts left in the account would revert to the General Fund.

Sen. Bamba asked if the administration was revising the O & M budget downward. Taitano said the administration was looking into it.

Sen. Bamba asked if there was enough money left in the issue to complete the needed road projects. Taitano said he wasn't aware.

Sen. Quan reminded the Committee that there was some urgency to the issue in order to make the May 1 deadline. Taitano said the due date on the proposals was April 15, so he felt there would not be enough time to make the May deadline. He added that there would be additional savings closing after the May deadline.

Other factors to be looked at, Santos said, was that when the proposals came in, the underwriters fees would have to be examined. Taitano added that a short wait may prove beneficial in either interest rates, better proposals or both.

Sen. Bamba asked what they would do if interest rates went up and there would be no savings. Taitano said they would not then refund the issue.

The Committee met again at 2 p.m. Friday, April 3. Present in addition to the chairman were Senators Hartsock, Ruth, Shelton, Gutierrez and Sanchez.

Dave Santos was asked to give a run down on the bonding issue. Santos said the only thing the legislation would do is authorize the administration to deal with the various companies that had been asked to submit proposals. He said he didn't think the administration would pursue the issue if no savings would be made, and the Legislature would still have final approval of the issue.

Carl Taitano reiterated the final approval of the Legislature by pointing out that, on page 2, line 10 of the bill, a pledge of funds must be made and would be subject to the approval of the Legislature. He said that no matter what the administration wants to do, the pledge of funds would have to be approved by the Legislature. Without that approval, there will be no refunding.

Sen. Quan expressed concern shared by all Senators on the Committee that the Legislature retain the authority to have the final word. Taitano said that

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the issues could not go through without the pledge of funds.

Santos said that it was important to act quickly because interest rates had just risen. He went on to answer Sen. San Agustin's written concern that the Government of Guam was issuing \$39 million in bonds by informing the Committee that the figure in the bill was a cap on the amount of debt.

Fluctuating market conditions, changing interest rates and whether the bonds could actually be sold at 100% of face value would all influence the total actual issue. Santos said the actual figure would probably be closer to \$32 million.

Taitano agreed, and said that a buffer was important because the trust fund had to have a certain fixed amount in it, and there needed to be the freedom to change the total bond commitment to meet all requirements while still insuring a savings for the Government.

Sen. Ruth asked Santos what the interest rates had risen to. Santos replied that he believed it was about an eighth of a point, but that an eighth of a point could translate into millions of dollars.

Sen. Quan asked if there was an interest rate at which a cut off point could be drawn. Taitano said there wasn't because if the other costs associated with the bond issue were lower, including the insurance fees and commission for the underwriters, then the refunding could still save GovGuam money even at a higher interest rate.

Sen. Quan said he wanted to give the executive branch sufficient latitude to generate savings without sacrificing the concerns of the Legislature. Santos said that in the original issue there was a provision in the authorization legislation that the terms and conditions had to come back to the Legislature for resolution approval, and that the issue was almost killed by one Senator holding up action on the resolution just hours before Santos had to catch a flight to finalize the bond.

Sen. Shelton commented that the Legislature had acted very responsibly on the bond refunding, noting the time span between introduction of the legislation and final mark up on the bill was less than a month. He suggested placing all of the Legislature's constraints and restrictions in the legislation so that there would be no need to return to the Legislature for final approval. He suggested that rather than attempt to determine a cap on interest rates, the legislation should state a minimum net savings to the Government of Guam. Taitano said that evaluating the net savings would be difficult because there were a number of ways to evaluate it, depending on how the savings are taken.

Sen. Sanchez asked what kind of language could be put into the bill to require what the Legislature was specifying. Sen. Shelton said he would hate to see the Government lose an opportunity to save money because they were unable to react quickly enough. He suggested a compromise between the language of

the bill and what the administration was requesting.

Sen. Quan advised the Committee members that there was another factor to consider in addition to the savings and that was the cash crunch factor. He maintained that even if the savings were low, the restructuring of payments may mean that the Government of Guam would be able to pay less this year, or over the next few years, thereby reducing the pressure on the limited cash reserves of GovGuam coffers. Sen. Shelton suggested the Committee come up with criteria for amending the bill.

Sen. Shelton added that he did not feel comfortable about giving the administration carte blanche in dealing with the bond issue, particularly when \$39 million was involved. Taitano said he was reluctant to recommend specific language. To make legal commitments might constrain the administration in their negotiations. He said his personal opinion was that if the Legislature were aware that it would have to act swiftly it would be better than to put pre-conditions into the bill that would make it unwieldy to conduct negotiations. Sen. Shelton and Santos both agreed, saying that too many conditions could hurt the negotiating position of the administration.

Sen. Quan said he wanted the administration to come back to the Legislature to have the Senators consider their selection of underwriter. Taitano said the Legislature already had the veto power under section (e) of the bill which gives the Legislature control over the revenues to be pledged for the issue. Taitano stressed that the commitment cannot be made to the underwriter without the pledging of revenues.

Sen. Quan pointed out that in Section 1 (a) the bill states that Legislative approval is not necessary if the proposed aggregate debt service is less than the original aggregate debt service. Taitano again maintained that the issue could not go through without the Legislature approving the revenue source.

Sen. Shelton said that as he understood it, the administration would go out and strike a deal, and then come back to the Legislature for either approval or disapproval.

Sen. Ruth asked about Sen. San Agustin's letter and wondered if all of the questions had been answered. Santos said some of the points were not questions at all and others were not essential to understanding or acting on the issue. Sen. Gutierrez said he had spoken to Sen. San Agustin, who was against the refunding. Sen. San Agustin apparently said the savings would be only some few thousand dollars per year and did not understand why the administration wanted to go through with the refunding by entering into greater debt, especially when the debt would mean more profits for the underwriter, insurance company, and so forth.

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Sen. Quan said that as he understood it, the net result of the refunding would be a lowering of the amount owed by the Government of Guam, principal and interest included. He said the Government will be paying less with the refunding than it will have to pay with the original. Santos added that by negotiating with different companies, the net savings could increase.

Sen. Quan added that the main thing the Committee had to understand was that the Government was indebted to pay the principal plus interest of the original bond issue, and that amount was greater than the principal plus interest of the proposed refunding, therefore creating a net savings for the Government.

Santos said that another way to look at the issue was, instead of a million dollars more in savings, the other side was a million dollars more that could be identified for other projects.

Sen. Ruth asked if there was a concern with the length of time the liquid fuel tax would be tied up. Taitano said the tax was already tied up even if the Legislature did nothing. Santos added that this was not a general obligation bond because the source of the funds was user fees.

Sen. Gutierrez asked about the portion of the taxes allocated to other concerns such as the Guam Mass Transit Authority. Taitano said there was a legal opinion that all of the fees had to flow through the bond fund first to satisfy the covenants, even if taxes were raised. He added that once the covenants were satisfied, the rest of the taxes would then flow to the sources they were intended for.

Sen. Hartsock expressed concern with the O & M portion of the covenant. Taitano said there was a cap on the O & M.

Sen. Sanchez expressed his belief that the money was pledged to the bond holders and would have to go there first to satisfy those conditions before whatever remainder there was could be diverted anywhere else. Santos agreed, saying the tax dollars would have to flow through the THF before it could become available for anything else.

Sen. Shelton asked when the final refunding would be considered by the Legislature. Sen. Hartsock said the Legislature would be in session from the 11th to the 15th of May and that would be the ideal time. Sen. Ruth asked if there was still a deadline of May 15. Taitano said there would be no possibility that the complex issues could all be resolved in order to gain the savings this year, so the May 15 deadline was no longer valid.

Sen. Shelton asked if the approval coming during the week of May 11 would meet the administration's schedule. Taitano said that it would. Sen. Ruth asked why the Committee was working on the present bill. Sen. Quan said that the present bill was needed to authorize the administration to begin negotiations.

Sen. Ruth asked Sen. Quan if the bond experts could be standing by during

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session for Committee of the Whole, which she anticipated. Sen. Quan said that when the bill is considered, he would call for Committee of the Whole and ask Taitano and Santos to discuss the issue and answer questions. Sen. Ruth said she was making her comment based on the premise that the other Senators would not accept the Committee report.

**RECOMMENDATION:** The Committee on Economic Development recommends that Bill No. 346-A, "An act to authorize the issuance of limited obligation bonds of the Government of Guam for refunding purposes," be amended to require that the administration be allowed to negotiate the terms and conditions for the best refunding deal possible, and that they then be required to return to the Legislature for final approval. Subject to those changes, the Committee recommends that Bill No. 346-A be passed as amended.



# *Territory of Guam*

OFFICE OF THE GOVERNOR  
AGANA, GUAM 96910  
U.S.A.

March 26, 1987

The Honorable John F. Quan  
Chairman, Committee on Economic  
Development and Banking  
Nineteenth Guam Legislature  
Post Office Box CB-1  
Agana, Guam 96910

Dear Mr. Chairman and Members of the Committee:

My name is Carl Taitano and I am speaking on behalf of the Director, Department of Revenue and Taxation, James Bettis.

The Governor has reviewed the proposed legislation and agrees in concept with it.

The Administration would like to suggest one amendment to Bill No. 346-A. We recommend that the wording in section (e) starting with the word "All" on line 6 to "made." on line 13 be deleted and the following language put in its place. "The Governor is hereby authorized to pledge all or any part of the revenues previously pledged in connection with the issuance of the Government of Guam Highway Obligation Bonds 1985 Series A to secure the repayment of any debt or debts created under Section 1 of this Act without further approval of the Legislature and such pledge shall be valid and binding from the time and place the pledge is made."

The reason for this recommendation is so that the refunding to the Highway Bond would not be further delayed again returning to the Legislature for approval of the specific refunding proposal selected.

As a matter of information for the Committee, the Guam Economic Development Authority, at the request of the Governor, has prepared a request for proposal to be sent out to a large group of Underwriters.

Sincerely,

CARL W. TAITANO  
Staff Assistant

File Guam Highway

MEMORANDUM

9/11/85  
741

**TO:** Governor Ada  
Lieutenant Governor Blas

**FROM:** Garland E. Wood  
David L. Wickline

**RE:** Budget Savings From Refinancing Government of Guam Highway Bonds

**Executive Summary:** Current bond market rates are at the lowest levels since 1975. This provides an opportunity for GovGuam to refinance \$24 million of the outstanding Highway Bonds issued in May 1985 and to realize annual budget savings of \$80,000 and total savings of \$1.5 million over the life of the Bonds. As part of your Administration's efforts to cut costs, this is a way to achieve significant budget savings simply by taking advantage of currently low rates to replace the existing Bonds with a lower cost bond issue. These savings are obtained without the need to cut any existing programs. Action is recommended to initiate the refinancing because there are often time delays in obtaining legislative authorization and GovGuam should be positioned to seize a volatile market savings.

We are aware of your commitment to budgetary savings and your interest in the potential savings from refinancing the Highway Bonds based on our meetings with you during the transition and with your staff during your first week in office. We also understand and commend your Administration's intent to take inventory of obligations you have inherited before moving too quickly into new commitments. However, we would be remiss in our duty to you, our client, if we did not draw your attention to the savings opportunity afforded your Administration by the current drop in bond rates.

We have attached a summary of the analysis we prepared to show you the savings available from our proposal to refinance the outstanding Highway Bond issues. This analysis shows that GovGuam could save \$80,000 annually for total savings of \$1.5 million during the life of the bonds. The present value of these savings would be \$0.9 million. This refinancing created level annual savings, but could be restructured to create greater market savings in the earlier years. These savings are obtained by issuing fixed rate bonds at today's much lower rates, and using the bonds proceeds to extinguish the currently outstanding bonds. An existing obligation of GovGuam is simply replaced with lower cost debt. No net new obligations are included.

This savings opportunity is subject to the risk that currently attractive market rates may change. We believe initiating action on this refinancing is consistent with both your Administration's commitment to cost-cutting and the desire to act with thoughtful deliberation, since savings are achieved without including any net new obligations. Because there are inevitable delays in passing legislation to authorize the refinancing, we recommend that the Administration consider initiating legislative authorization so that GovGuam is poised to take advantage of this cost savings.

We have talked with the necessary financial institutions and believe this refinancing could be achieved expeditiously. We will be happy to review this proposal with you and your staff at your convenience.

Government of Guam  
 Limited Obligation Highway Refunding Bonds  
 Series 1987

\*\*\*\* Summary of Results \*\*\*\*

Results:

-----

Par amount of proposed refunding bonds	\$ 29,785,000
Present value of debt service savings (discounted at 6.7046 %)	909,032
PV savings as a % of new bond proceeds	3.0520 %
Gross debt service savings	1,489,009
Annual savings	80,000
Average Interest Cost	6.5391 %
True Interest Cost	6.7516 %
Bond arbitrage yield	6.7047 %
Average life (years)	13.316

Assumptions:

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Aggregate par amount refunded	\$ 24,280,000
Dated, delivered	1/01/1987
Escrow investment rate	6.7047 %
Insurance premium rate	0.7500 %
Underwriter's discount	1.8000 %

New scale:

Serials beginning in 1987  
 Terms with sinking fund installments beginning in 2003:  
 6.875% coupon in 2005 priced at par



Government of Guam  
Limited Obligation Highway Bonds  
Series 1987

\*\*\*\* Debt Service on Proposed Bonds \*\*\*\*

Year ending	Principal	Coupon	Interest	Debt service
5/ 1/87	445,000	4.000	634,230.42	1,079,230.42
5/ 1/88	280,000	4.250	1,884,891.25	2,164,891.25
5/ 1/89	290,000	4.500	1,872,991.25	2,162,991.25
5/ 1/90	305,000	4.750	1,859,941.25	2,164,941.25
5/ 1/91	320,000	5.000	1,845,453.75	2,165,453.75
5/ 1/92	335,000	5.200	1,829,453.75	2,164,453.75
5/ 1/93	355,000	5.350	1,812,033.75	2,167,033.75
5/ 1/94	375,000	5.500	1,793,041.25	2,168,041.25
5/ 1/95	395,000	5.650	1,772,416.25	2,167,416.25
5/ 1/96	1,995,000	5.900	1,750,098.75	3,745,098.75
5/ 1/97	2,110,000	6.100	1,632,393.75	3,742,393.75
5/ 1/98	2,240,000	6.250	1,503,683.75	3,743,683.75
5/ 1/99	2,380,000	6.400	1,363,683.75	3,743,683.75
5/ 1/ 0	2,535,000	6.500	1,211,363.75	3,746,363.75
5/ 1/ 1	2,695,000	6.600	1,046,588.75	3,741,588.75
5/ 1/ 2	2,875,000	6.650	868,718.75	3,743,718.75
5/ 1/ 3	3,070,000	6.875	677,531.25	3,747,531.25
5/ 1/ 4	3,280,000	6.875	466,468.75	3,746,468.75
5/ 1/ 5	3,505,000	6.875	240,968.75	3,745,968.75
	-----		-----	-----
	29,785,000		26,065,952.92	55,850,952.92
	=====		=====	=====

Bond years	396,608.333
Average coupon	6.572 %
Average life	13.316 years

Government of Guam  
 Limited Obligation Highway Refunding Bonds  
 Series 1987

\*\*\*\* Debt Service Comparison \*\*\*\*

Year ending	Principal	COUPON	Interest	Total	Refunded debt service	Annual savings	Cumulative savings
5/ 1/87	445,000.00	4.000	634,230.42	1,079,230.42	1,122,950.00	43,719.58	43,719.58
5/ 1/88	280,000.00	4.250	1,884,891.25	2,164,891.25	2,245,900.00	81,008.75	124,728.33
5/ 1/89	290,000.00	4.500	1,872,991.25	2,162,991.25	2,245,900.00	82,908.75	207,637.08
5/ 1/90	305,000.00	4.750	1,859,941.25	2,164,941.25	2,245,900.00	80,958.75	288,595.83
5/ 1/91	320,000.00	5.000	1,845,453.75	2,165,453.75	2,245,900.00	80,446.25	369,042.08
5/ 1/92	335,000.00	5.200	1,829,453.75	2,164,453.75	2,245,900.00	81,446.25	450,488.33
5/ 1/93	355,000.00	5.350	1,812,033.75	2,167,033.75	2,245,900.00	78,866.25	529,354.58
5/ 1/94	375,000.00	5.500	1,793,041.25	2,168,041.25	2,245,900.00	77,858.75	607,213.33
5/ 1/95	395,000.00	5.650	1,772,416.25	2,167,416.25	2,245,900.00	78,483.75	685,697.08
5/ 1/96	1,995,000.00	5.900	1,750,098.75	3,745,098.75	3,825,900.00	80,801.25	766,498.33
5/ 1/97	2,110,000.00	6.100	1,632,393.75	3,742,393.75	3,824,750.00	82,356.25	848,854.58
5/ 1/98	2,240,000.00	6.250	1,503,683.75	3,743,683.75	3,825,187.50	81,503.75	930,358.33
5/ 1/99	2,380,000.00	6.400	1,363,683.75	3,743,683.75	3,825,825.00	82,141.25	1,012,499.58
5/ 1/ 0	2,535,000.00	6.500	1,211,363.75	3,746,363.75	3,825,275.00	78,911.25	1,091,410.83
5/ 1/ 1	2,695,000.00	6.600	1,046,588.75	3,741,588.75	3,822,150.00	80,561.25	1,171,972.08
5/ 1/ 2	2,875,000.00	6.650	868,718.75	3,743,718.75	3,825,062.50	81,343.75	1,253,315.83
5/ 1/ 3	3,070,000.00	6.875	677,531.25	3,747,531.25	3,826,700.00	79,168.75	1,332,484.58
5/ 1/ 4	3,280,000.00	6.875	466,468.75	3,746,468.75	3,825,212.50	78,743.75	1,411,228.33
5/ 1/ 5	3,505,000.00	6.875	240,968.75	3,745,968.75	3,823,750.00	77,781.25	1,489,009.58
	29,785,000.00		26,065,952.92	55,850,952.92	57,339,962.50		

Annual savings is a mechanical comparison of old to new debt service.  
 Cumulative savings is the cumulative aggregate of annual savings,  
 adjusted (in the first period) for funds used in the financing.  
 Gross savings (equal to cumulative savings) are 1,489,009.58  
 Present value savings discounted at 6.7046% are 909,032.02

Goldman, Sachs & Co. | 85 Broad Street | New York, New York 10004  
Tel: 212-902-6509

Garland E. Wood  
Partner

Goldman  
Sachs

February 5, 1987

Mr. Carr Bettis  
Director of Budget and Taxation  
Department of Revenue & Taxation  
855 W. Marine Drive  
Agana, Guam 96910

Dear Mr. Bettis:

Attached is the original copy of the updated report on the Advance Refunding Analysis of the 1985 Highway Bond issue of which we telexed to you earlier today.

Should you have any questions, feel free to call me at 212-902-6509 or (Home: 212-749-3188) due to time difference.

Sincerely,

*Garland E. Wood*

Garland E. Wood

(Dictated, but not read)

GEW/jcr

Attachment

TELECOPY

**TO:** Carr Bettis  
**FROM:** Garland E. Wood  
**DATE:** February 5, 1987  
**RE:** REFUNDING OF GOVERNMENT OF GUAM LIMITED  
OBLIGATION HIGHWAY BONDS

We are forwarding to you an updated report on the Advance Refunding Analysis of the 1985 Highway Bond issue.

The primary difference between this analysis and the earlier analysis you received, is the pattern of savings achieved. This analysis allows a substantial savings to be realized in Fiscal year '87 approximating \$800,000 if the transaction is completed prior to April 30.

(Note: Please distribute to the appropriate individuals.)

GOVERNMENT OF GUAM

Limited Obligation Highway Bonds  
1987 bonds ( USF&G)

Advance Refunding Analysis

Prepared by  
Goldman, Sachs & Co.

February 3, 1987

GOVERNMENT OF GUAM  
Limited Obligation Highway Bonds  
1987 bonds ( USF&G)

\*\*\*\* Summary of Results \*\*\*\*

Results:  
-----

Par amount of proposed refunding bonds	\$ 30,075,000
Present value of debt service savings (discounted at 6.7387 %)	888,336
PV savings as a % of new bond proceeds	2.9537 %
Gross debt service savings	854,372
Annual savings	5,000
Average Interest Cost	6.5326 %
True Interest Cost	6.7433 %
Bond arbitrage yield	6.7387 %
Average life (years)	13.402

Assumptions:  
-----

Aggregate par amount refunded	\$ 24,280,000
Dated	02/01/1987
Delivered	02/15/1987
Escrow investment rate	6.7387 %
Insurance premium rate	2.0000 %
Underwriter's discount	1.8000 %

New scale:

Serials beginning in 1988  
Terms with sinking fund installments beginning in 2003:  
6.875% coupon in 2005 priced at 100.000

GOVERNMENT OF GUAM  
Limited Obligation Highway Bonds  
1987 bonds ( USF&G)

\*\*\*\* Notes and Assumptions \*\*\*\*

General. The issue is assumed dated 02/01/1987 and delivered 02/15/1987.  
Issuance expenses of \$0.00 and underwriter's discount of 1.8000% are also included.

Escrow sizing. The escrow is assumed to require a deposit of \$29,003,605.98.

This escrow deposit amount is based on an overall assumed investment rate of 6.7387%, which is the arbitrage bond yield. That is, this analysis assumes no "negative arbitrage".

Insurance premium. The proposed bonds would be fully insured. The listed insurance premium is calculated as follows:

Insured gross debt service	
(net of accrued interest)	\$56,485,590.21
Times premium rate	2.0000
Insurance premium	\$1,129,711.80

The outstanding bonds are also insured. The analysis assumes the insurer will provide a credit of \$600,000.00 toward the insurance premium. This provides a net insurance premium of

Based on new debt service	\$1,129,711.80
Less rebate	\$600,000.00
	<hr/>
Net insurance premium	\$529,711.80

Savings. The savings amounts reflected in the schedule of Debt Service

Funds contributed:	
Total	648,815.56
Gross savings are computed as follows:	648,815.56
Cumulative savings --	779,279.06
Accrued interest on new bonds --	75,093.23
Gross savings	854,372.29

GOVERNMENT OF GUAM  
 Limited Obligation Highway Bonds  
 1987 bonds ( USF&G)

\*\*\*\* Sources and Uses of Funds \*\*\*\*

Sources:  
 -----

Par Amount of Refunding Bonds	\$ 30,075,000.00
	-----
Proceeds	\$ 30,075,000.00
	-----
Total Sources of Funds	\$ 30,075,000.00
	=====

Uses:  
 -----

Escrow Deposit	\$ 29,003,605.98
Underwriters' Discount	541,350.00
Insurance Premium	529,711.80
Rounding	332.22
	-----
Total Uses of Funds	\$ 30,075,000.00
	=====



GOVERNMENT OF GUAM  
Limited Obligation Highway Bonds  
1987 bonds ( USF&G)

\*\*\*\* Debt Service Comparison \*\*\*\*

Year ending	PROPOSED DEBT SERVICE				Refunded debt service	Annual savings	Cumulative savings
	Principal	Coupon	Interest	Total			
5/ 1/87					1,122,950.00	1,122,950.00	1,122,950.00
5/ 1/88	230,000.00	4.250	2,413,710.94	2,643,710.94	2,245,900.00	-397,810.94	725,139.06
5/ 1/89	320,000.00	4.500	1,921,193.75	2,241,193.75	2,245,900.00	4,706.25	729,845.31
5/ 1/90	335,000.00	4.750	1,906,793.75	2,241,793.75	2,245,900.00	4,106.25	733,951.56
5/ 1/91	350,000.00	5.000	1,890,881.25	2,240,881.25	2,245,900.00	5,018.75	738,970.31
5/ 1/92	370,000.00	5.200	1,873,381.25	2,243,381.25	2,245,900.00	2,518.75	741,489.06
5/ 1/93	390,000.00	5.350	1,854,141.25	2,244,141.25	2,245,900.00	1,758.75	743,247.81
5/ 1/94	410,000.00	5.500	1,833,276.25	2,243,276.25	2,245,900.00	2,623.75	745,871.56
5/ 1/95	435,000.00	5.650	1,810,726.25	2,245,726.25	2,245,900.00	173.75	746,045.31
5/ 1/96	2,035,000.00	5.900	1,786,148.75	3,821,148.75	3,825,900.00	4,751.25	750,796.56
5/ 1/97	2,155,000.00	6.100	1,666,083.75	3,821,083.75	3,824,750.00	3,666.25	754,462.81
5/ 1/98	2,290,000.00	6.250	1,534,628.75	3,824,628.75	3,825,187.50	558.75	755,021.56
5/ 1/99	2,430,000.00	6.400	1,391,503.75	3,821,503.75	3,825,825.00	4,321.25	759,342.81
5/ 1/ 0	2,585,000.00	6.500	1,235,983.75	3,820,983.75	3,825,275.00	4,291.25	763,634.06
5/ 1/ 1	2,750,000.00	6.600	1,067,958.75	3,817,958.75	3,822,150.00	4,191.25	767,825.31
5/ 1/ 2	2,935,000.00	6.650	886,458.75	3,821,458.75	3,825,062.50	3,603.75	771,429.06
5/ 1/ 3	3,135,000.00	6.875	691,281.25	3,826,281.25	3,826,700.00	418.75	771,847.81
5/ 1/ 4	3,345,000.00	6.875	475,750.00	3,820,750.00	3,825,212.50	4,462.50	776,310.31
5/ 1/ 5	3,575,000.00	6.875	245,781.25	3,820,781.25	3,823,750.00	2,968.75	779,279.06
	<u>30,075,000.00</u>		<u>26,485,683.44</u>	<u>56,560,683.44</u>	<u>57,339,962.50</u>		

Annual savings is a mechanical comparison of old to new debt service.

Cumulative savings is the cumulative aggregate of annual savings, adjusted (in the first period) for funds used in the financing.

Gross savings (cumulative savings, augmented for accrued interest) are 854,372.29

Present value savings discounted at 6.7387% are 888,336.08

GOVERNMENT OF GUAM  
Limited Obligation Highway Bonds  
1985 Series A

\*\*\*\* Debt Service on Bonds Refunded \*\*\*\*

Year ending	Principal	Coupon	Interest	Debt service
5/ 1/87		6.000	1,122,950.00	1,122,950.00
5/ 1/88		6.500	2,245,900.00	2,245,900.00
5/ 1/89		7.000	2,245,900.00	2,245,900.00
5/ 1/90		7.250	2,245,900.00	2,245,900.00
5/ 1/91		7.500	2,245,900.00	2,245,900.00
5/ 1/92		7.750	2,245,900.00	2,245,900.00
5/ 1/93		8.000	2,245,900.00	2,245,900.00
5/ 1/94		8.200	2,245,900.00	2,245,900.00
5/ 1/95		8.400	2,245,900.00	2,245,900.00
5/ 1/96	1,580,000	9.250	2,245,900.00	3,825,900.00
5/ 1/97	1,725,000	9.250	2,099,750.00	3,824,750.00
5/ 1/98	1,885,000	9.250	1,940,187.50	3,825,187.50
5/ 1/99	2,060,000	9.250	1,765,825.00	3,825,825.00
5/ 1/ 0	2,250,000	9.250	1,575,275.00	3,825,275.00
5/ 1/ 1	2,455,000	9.250	1,367,150.00	3,822,150.00
5/ 1/ 2	2,685,000	9.250	1,140,062.50	3,825,062.50
5/ 1/ 3	2,935,000	9.250	891,700.00	3,826,700.00
5/ 1/ 4	3,205,000	9.250	620,212.50	3,825,212.50
5/ 1/ 5	3,500,000	9.250	323,750.00	3,823,750.00
	<u>24,280,000</u>		<u>33,059,962.50</u>	<u>57,339,962.50</u>

Bond years 357,405.000  
Average coupon 9.250 %  
Average life 14.720 years  
Accrued interest through closing date is 648,815.56

TESTIMONY REGARDING BILL 346-A

AN ACT TO AUTHORIZE THE ISSUANCE OF LIMITED OBLIGATION BONDS  
OF THE GOVERNMENT OF GUAM FOR REFUNDING PURPOSES

Good morning, Mr. Chairman and distinguished Members of the Committee. My name is Peter Barcinas and, as Acting Director for the Department of Commerce, I am here to testify on behalf of the department regarding the contents of Bill 346-A.

The Department of Commerce is pleased to witness the speed with which the Nineteenth Guam Legislature is reacting to the pressing issue of reducing this government's accumulated deficit. We are particularly pleased with this Committee's implied commitment to exercise its prerogative in improving the government's financial position in ways that do not adversely affect the performance of governmental operations or obligations.

In light of the above, we certainly have no objections to the intent of the Bill before you, and find the refinancing of the outstanding highway bond obligation to be an appealing initiative on the Committee's part. Given the fact that long-term interest rates on state and local bonds have fallen by approximately 2.4 percent since May of 1985, the proposed refinancing could result in an annual savings to the government of approximately \$840,000 in interest on this issue alone. Although this amount may seem small in relation to the accumulated deficit, it nevertheless is significant and is a painless way to improve the government's budgetary stature.

Thank you for the opportunity to represent the views of the Department of Commerce here this morning. I hope that my comments will be of value to the

Committee and to the Legislature as a whole. If you have any questions regarding this testimony or any other matter, I am now ready to answer them to the best of my ability.



PETER R. BARCINAS

"An Act To Authorize The Issuance of  
Limited Obligation Bonds for the  
Government of Guam For Refunding Purposes"

BY: A. A. LEON GUERRERO  
Acting Chairman, GEDA

Good morning, Mr. Chairman, members of the Committee - my name is Tony Leon Guerero and I have come here this morning in my capacity as Acting Chairman of GEDA.

I would like to start off by thanking the Chairman and Committee Members for giving us an opportunity to speak on the proposed legislation before us today.

GEDA agrees wholeheartedly with the intent of Bill 346-A. However, there are some concerns with the legislation which we would like to address:

- a) The last paragraph of Section (a) states that "the provisions of 12 GCA SS2103(K) shall not apply to such debt or debts."..... In view of the fact that everyone is rushing to do this bond issue, we have no objection in allowing this section to remain, however, we respectfully request that this Legislature consider excluding this provision in future bond issues and further introduce legislation amending 12 GCA SS2103(K) to restore the original authority of GEDA over bond issuance.

We do realize that the agency hasn't been the most popular recently and I don't quite understand the history behind the erosion of this particular policy tool - but we do have a new and good team on board and would appreciate this vote of confidence.

- b) Section (e) should be amended to allow the Governor of Guam to pledge all revenues previously pledged to the present Government of Guam Highway Bonds 1985 Series without further legislative approval to again avoid further delays.

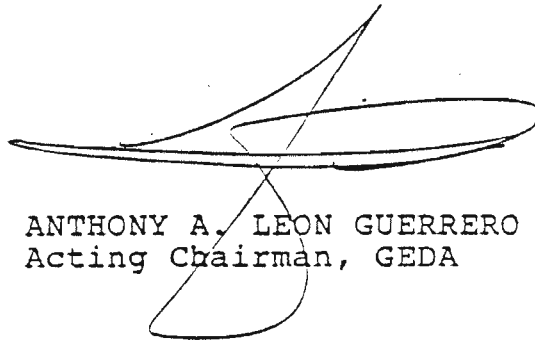
Other than these minor comments, I see no problems with the proposed legislation. However, if I may be permitted I'd like to offer some thoughts on this particular issue of the Highway Bond Refunding.

I do realize that the biggest attraction of this issue is the probable savings of some \$900K. and that helps in our overall Government deficit problem. However, the key word here Senators is probable... this savings is not guaranteed. Based on an analysis presented by an investment banking firm, these savings will be realized if the bond is issued with a coupon rate average of 6.581% (low 4.25% to a high of 6.875%) and an escro reinvestment rate of 6.748%. Small swings in those rates (@25-50 basis points) in either direction could mean larger savings or possibly a dissavings. The only thing certain in today's market is that these swings are highly probable which is why I suggest GEDA closely scrutinize this bond issue before final approval.

In my cursory review of the analysis, I also noted the absence of other costs such as bond councils for both the issuer and underwriter (@ least \$60K a piece at \$2/\$1000): The trustee fees which would be a recurring cost of about \$15K to \$20K annually (high of \$360K for 18 years) as well as other printing costs.

In fairness to all parties concerned, I must apologize since being a late comer in this process, I have not been privi to earlier discussions regarding these reissuances. It may well be that my concerns have been satisfactorily addressed. I am not sure they have been. I just don't feel comfortable rushing into a financial commitment for our people which has not been thoroughly reviewed.

Thank you for your patience.



ANTHONY A. LEON GUERRERO  
Acting Chairman, GEDA

*In the opinion of Bond Counsel, under existing laws, regulations, rulings and court decisions, interest on the Bonds is exempt from federal income taxes and the Bonds are exempt, as to principal and interest, from taxation by any State or Territory or any political subdivision thereof, or by the District of Columbia.*

**\$35,000,000**  
**GOVERNMENT OF GUAM**  
**Limited Obligation Highway Bonds**  
**1985 Series A**

Dated: May 1, 1985

Due: May 1 as shown below

Interest on the Bonds is payable semiannually on May 1 and November 1 of each year, commencing November 1, 1985. The Bonds will be issued only in registered form in denominations of \$5,000 or multiples thereof. Interest on the Bonds will be payable by check or draft mailed to the registered owners and principal on the Bonds will be payable upon surrender thereof at the principal corporate trust office of Bankers Trust Company, in New York, New York. The Bonds are subject to redemption prior to their respective stated maturities as described herein.

The Bonds are limited obligations of the Government payable solely from Revenues as defined in the Indenture consisting primarily of certain liquid fuel taxes and vehicle registration fees, license fees and certain penalties levied by the Government of Guam. The Bonds are being issued for the purposes of financing the construction of Capital Improvement Highway Projects within the territory of Guam.

Payment of the interest when due and scheduled principal payments of the Bonds will be guaranteed by a financial guaranty bond to be issued by

**UNITED STATES FIDELITY AND GUARANTY COMPANY**

simultaneously with the issuance of the Bonds. See "Financial Guaranty Bond" herein.

<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>Price</u>	<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>Price</u>
1986	\$ 790,000	5½%	100%	1991	\$1,075,000	7½%	100%
1987	830,000	6	100	1992	1,155,000	7¾	100
1988	880,000	6½	100	1993	1,245,000	8	100
1989	940,000	7	100	1994	1,345,000	8.20	100
1990	1,005,000	7¾	100	1995	1,455,000	8.40	100

**\$24,280,000 9¼% Term Bonds Due May 1, 2005—Price—99½%**  
 (Plus accrued interest)

*The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe, San Francisco, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, O'Melveny & Myers, and for the Government by the Attorney General of Guam. It is expected that the Bonds in definitive form will be available for delivery in New York, New York on or about May 16, 1985.*

**Goldman, Sachs & Co.**



established by the Trustee for the selection of Bonds for redemption, nor at any time after selection of such Bond for redemption.

Any Bond may be exchanged at the principal corporate trust office of the Trustee for a new fully registered Bond or Bonds of the same series, maturity and tenor, of any authorized denomination or denominations and for the aggregate principal amount of such Bond then remaining Outstanding.

The Trustee shall require the payment by any Bondholder requesting the exchange or transfer of any Bond of any tax or other governmental charge required to be paid with respect to such transfer and may collect from the Government a charge equal to the customary fee charged by the Trustee for such exchanges or transfers.

**Optional Redemption**

The Bonds maturing after May 1, 1995, are subject to call and redemption prior to their maturity, at the option of the Government, on or after May 1, 1995, as a whole or in part, at the following redemption prices (expressed as percentages of principal amount) together with accrued interest to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
May 1, 1995 through April 30, 1996 . . . . .	102%
May 1, 1996 through April 30, 1997 . . . . .	101
May 1, 1997 and thereafter . . . . .	100

**Mandatory Redemption**

The Bonds maturing on May 1, 2005 are subject to mandatory redemption, in part, by lot, without premium, on May 1, 1996 and on each May 1 thereafter, to and including May 1, 2005, from Mandatory Sinking Account Payments required pursuant to the Indenture, or all or any portion of such Bonds may be purchased in lieu of call as permitted by the Indenture, according to the following schedule:

<u>Payment Date (May 1)</u>	<u>Principal Amount</u>	<u>Payment Date (May 1)</u>	<u>Principal Amount</u>
1996	\$1,580,000	2001	\$2,455,000
1997	1,725,000	2002	2,685,000
1998	1,885,000	2003	2,935,000
1999	2,060,000	2004	3,205,000
2000	2,250,000	2005	3,500,000

The Trustee, on behalf of the Government, will give the Bondholders notice at least 20 days before a redemption date of the aggregate principal amount of Bonds to be redeemed and the date of such redemption. In the event the Bonds are to be redeemed in part only, the Trustee shall select the Bonds to be redeemed by lot in any manner which, in its sole discretion, it shall deem appropriate and fair. A written notice of redemption, in the form and manner specified in the Indenture, will be mailed to the affected holders, at the addresses appearing in the Bond registration books of the Trustee as of the close of business on the day Bonds are selected for redemption. No defect in or failure to give such mailed notice of redemption shall affect the validity of the proceedings for the redemption of Bonds.

GOVERNMENT OF GUAM  
 Limited Obligation Highway Bonds  
 1985 Series A

\*\*\*\* Debt Service on Bonds Refunded \*\*\*\*

Year ending	Principal	Coupon	Interest	Debt service
5/ 1/87		6.000	1,122,950.00	1,122,950.00
5/ 1/88		6.500	2,245,900.00	2,245,900.00
5/ 1/89		7.000	2,245,900.00	2,245,900.00
5/ 1/90		7.250	2,245,900.00	2,245,900.00
5/ 1/91		7.500	2,245,900.00	2,245,900.00
5/ 1/92		7.750	2,245,900.00	2,245,900.00
5/ 1/93		8.000	2,245,900.00	2,245,900.00
5/ 1/94		8.200	2,245,900.00	2,245,900.00
5/ 1/95		8.400	2,245,900.00	2,245,900.00
5/ 1/96	1,580,000	9.250	2,245,900.00	3,825,900.00
5/ 1/97	1,725,000	9.250	2,099,750.00	3,824,750.00
5/ 1/98	1,885,000	9.250	1,940,187.50	3,825,187.50
5/ 1/99	2,060,000	9.250	1,765,825.00	3,825,825.00
5/ 1/ 0	2,250,000	9.250	1,575,275.00	3,825,275.00
5/ 1/ 1	2,455,000	9.250	1,367,150.00	3,822,150.00
5/ 1/ 2	2,685,000	9.250	1,140,062.50	3,825,062.50
5/ 1/ 3	2,935,000	9.250	891,700.00	3,826,700.00
5/ 1/ 4	3,205,000	9.250	620,212.50	3,825,212.50
5/ 1/ 5	3,500,000	9.250	323,750.00	3,823,750.00
	<u>24,280,000</u>		<u>33,059,962.50</u>	<u>57,339,962.50</u>

+ 24,280,000  
 + premium

and years 357,405.000  
 average coupon 9.250 %  
 average life 14.720 years  
 accrued interest through closing date is 648,815.56



*Copy for study*

**CERTIFICATE REGARDING RESOLUTION NO. 75  
OF THE EIGHTEENTH GUAM LEGISLATURE, 1985  
(FIRST) REGULAR SESSION**

I, the undersigned duly qualified and acting officer of the Government of Guam, do hereby certify that attached hereto is a full, true and correct copy of Resolution No. 75 of the Eighteenth Guam Legislature, 1985 (FIRST) Regular Session, adopted April 23, 1985.

Said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand at my office on this 16th day of May, 1985.

*Elizabeth P. Arriola*

ELIZABETH P. ARRIOLA  
Legislative Secretary

EIGHTEENTH GUAM LEGISLATURE  
1985 (FIRST) Regular Session

Resolution No. 75  
as amended (4/23/85)

Introduced by:

J. T. San Agustin  
F. R. Santos  
C. T. C. Gutierrez

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F. J. Gutierrez  
F. J. Quitugua  
D. Parkinson  
H. D. Dierking  
J. F. Ada  
M. D. A. Manibusan  
A. R. Unpingco  
J. P. Aguon  
E. P. Arriola  
P. C. Lujan  
T. S. Nelson  
J. G. Bamba  
F. F. Blas  
E. R. Duenas  
A. C. Lamorena III  
J. Miles  
J. M. Rivera  
T. V. C. Tanaka

Relative to Legislative approval of Highway Bonds to be issued by the Government of Guam in a principal amount not to exceed Thirty-five Million Dollars (\$35,000,000), a final maturity not exceeding twenty-five years and bearing interest at rates not exceeding twelve and one-half percent (12.5%) per annum.

1 BE IT RESOLVED BY THE LEGISLATURE OF THE TERRITORY OF  
2 GUAM:

3 WHEREAS, Sections 6123 and 6124 of the Government Code,  
4 amended, provide that the Governor is authorized to create a debt or deb  
5 of the Government of Guam in an aggregate principal amount not to exce  
6 Thirty-five Million Dollars (\$35,000,000) for the purpose of implementi  
7 capital improvement highway projects; and

8 WHEREAS, Section 6123 of the Government Code, as amended, provid  
9 that the terms and conditions of debt or debts shall be approved by t

1 Legislature by resolution and Section 6124 of the Government Code provide  
2 that any pledge of the revenues from the taxes therein described shall be  
3 subject to approval by the Legislature by resolution; and

4 WHEREAS, 12 GCA Section 2103(k) provides that agencies and  
5 instrumentalities of the government shall issue bonds and other obligations  
6 only by means of and through the agency of the Guam Economic  
7 Development Authority; and

8 WHEREAS, the Board of Directors of the Guam Economic Development  
9 Authority has adopted a resolution approving the sale of bonds of the  
10 government for the purpose of financing capital improvement highway  
11 projects; and

12 WHEREAS, 12 GCA Section 2103(k) provides that the Guam Economic  
13 Development Authority shall not sell any bond without the approval of the  
14 Legislature of the terms and conditions of the issuance of the bonds; and

15 WHEREAS, the legislature intends that in expending funds derived  
16 pursuant to this resolution, priority shall be given in the following order to  
17 these highway projects:

18	85-05	Reconstruction of Route 2, (from Agat to	
19		Umatac)	\$4.5 million
20	85-01	Reconstruction of Route 8, Phase I	4.0 million
21	85-02	Reconstruction of Route 1, (from Y-Sengsong Road to	
22		Gayinero Road)	6.2 million
23	85-07	Reconstruction of Route 1, (from Route 4 to Route 11	
24		intersection)	6.2 million
25	85-08	Reconstruction of Route 1 (from Route 11 to Route 2A	
26		intersection)	4.8 million
27	85-09	Extension of Chalan Kanton Tutujan in Sinajana to Route 7	
28		(Agana Heights)	2.5 million
29	85-04	Interchange on Route 1 in Agana	<u>5.0 million</u>
30		Grand Total	\$33.2 million

31 and

32 WHEREAS, the legislature expects that in designing these construction  
33 projects the Department of Public Works shall consider traffic safety

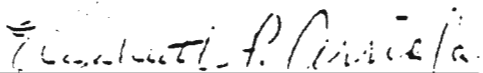
1 reports, including fatality reports, in order to improve highway safety;  
2 now, therefore, be it


3 RESOLVED, that the Eighteenth Guam Legislature, pursuant to Section  
4 6123 of the Government Code, and pursuant to 12 GCA Section 2103(k),  
5 approve the issuance by the Government of Guam of limited obligation  
6 highway bonds in a principal amount not to exceed Thirty-five Million  
7 Dollars (\$35,000,000), with a final maturity not exceeding twenty-five (25)  
8 years and bearing interest at rates not exceeding twelve and one-half  
9 percent (12.5%) per annum pursuant to the Government of Guam Limited  
10 Obligation Highway Bond Indenture in substantially the same form as  
11 presented to this Legislature; and be it further

12 RESOLVED, that the Eighteenth Guam Legislature, pursuant to Section  
13 6124 of the Government Code, approve the pledge of the revenues from the  
14 taxes described in that code section to secure such bonds; and be it  
15 further

16 RESOLVED, that the Speaker certify to and the Legislative Secretary  
17 attest the adoption hereof and that copies of the same be thereafter  
18 transmitted to the Guam Economic Development Authority; and to the Govern  
19 of Guam.

DULY AND REGULARLY ADOPTED ON THE 23RD DAY OF APRIL, 1985.

  
ELIZABETH P. ARRIOLA  
Senator and  
Legislative Secretary

  
JOE T. SAN AGUSTIN  
Acting Speaker

MAR 11 '87

BILL NO. 346-A (LS)

Introduced by:

H.D. DIERKING *H. Dierking*

*T.S. Mel* *John F. Chan*

AN ACT TO AUTHORIZE THE ISSUANCE OF LIMITED  
OBLIGATION BONDS OF THE GOVERNMENT OF GUAM  
FOR REFUNDING PURPOSES.

BE IN ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

- 1           Section 1. A new Section \_\_\_\_\_ is added to the Government Code to read:
- 2           "Section \_\_\_\_\_. (a) The Governor of Guam is authorized to create
- 3           a debt or debts of the Government of Guam in aggregate principal amount not
- 4           to exceed Thirty-Nine Million Dollars (\$39,000,000) for the purpose of refunding
- 5           all or any portion of the Government of Guam Limited Obligation Highway Bonds,
- 6           1985 Series A, and to pay expenses in connections with such refunding. The
- 7           terms and conditions of the debt or debts shall be approved by the Legislature
- 8           provided, however, that such approval shall not be necessary if the aggregate
- 9           debt service payable in each year on such debt is less than the aggregate debt
- 10          service payable in such on the bonds to be refunded. The provisions of 12 GCA
- 11          §2103(k) shall not apply to such debt or debts.
- 12          (b) Such debt or debts may be created by a loan or other agreement
- 13          executed by the Governor containing such terms as are consistent with this
- 14          Section or may be created by the issuance of bonds in one or more series sold
- 15          at public or private sale for such price not less than ninety-six percent (96%)
- 16          of the principal amount thereof plus accrued interest and on such other terms
- 17          consistent with this Section as are determined by the Governor by execution of
- 18          one or more certificates on or prior to the issuance of the bonds. The same or
- 19          another such certificate may also authorize the proper officers of the Government
- 20          of Guam to execute, on behalf of the Government of Guam, any appropriate docu-
- 21          ments relating to the bonds and the sale of the bonds.
- 22          (c) Any bonds authorized by this Section shall be issued pursuant to
- 23          an indenture executed by the Governor on behalf of the Government of Guam, which
- 24          indenture shall specify the forms, amounts, maturity dates, interest rates,
- 25          interest payment dates, denominations, places of payment, registration provisions,
- 26          rights of exchange, redemption dates and default provisions for such bonds and
- 27          shall otherwise provide for the use of proceeds of such bonds and the security
- 28          for such bonds, including the pledge authorized by this Section, in a manner
- 29          not inconsistent with this Section.
- 30          (d) Any debt or debts authorized by this Section shall constitute the

1 valid and legally binding limited obligation of the Government of Guam payable  
2 from and secured by a pledge of the revenues described in subsection (e) of  
3 this Section. The validity of any such debt or debts shall not be affected by  
4 the validity or regularity of any proceedings for the implementation of capital  
5 improvement highway projects funded by the bonds to be refunded.

6 (e) All or any part of the revenues from the taxes levied pursuant  
7 to subchapter D of Chapter VI of Title XX of the Government Code and from the  
8 license fees and penalties imposed pursuant to Sections 23339, 23353, 23361, 23362,  
9 23364, 23365 and 23500 of the Government Code may be pledged to secure the repay-  
10 ment of any debt or debts created under Section (1) of the Government Code. Any  
11 pledge made to secure bonds shall be subject to approval by the Legislature  
12 pursuant to Section (1) of the Government Code and shall be valid and binding  
13 from the time the pledge is made. The revenues pledged and thereafter received  
14 by the government or any trustee, depository or custodian shall be deposited in  
15 a separate account and shall be immediately subject to the lien of such pledge  
16 without any physical delivery thereof or further act, and the lien of any such  
17 pledge shall be valid and binding against all parties having claims of any kind  
18 in tort, contract or otherwise against the government, such trustee, depository  
19 or custodian, irrespective of whether the parties have notice thereof. The  
20 indenture by which such pledge is created need not be recorded. All such taxes,  
21 fees and penalties, to the extent so pledged, are hereby continuously appropriated  
22 for such purpose.

23 (f) The Governor is authorized to enter into such contracts or agree-  
24 ments with such banks, insurance companies or other financial institutions as  
25 he determines are necessary or desirable to improve the security and marketability  
26 of the bonds. Such contracts or agreements may contain an obligation to reimburse,  
27 with interest, any such banks, insurance companies or other financial institutions  
28 for advances used to pay principal of or interest on the bonds. Any such  
29 reimbursement obligation may be secured by a pledge of the revenues described  
30 in subsection (e) of this Section.

31 (g) Notwithstanding any substantive or procedural provision of Chapter  
32 VI of Title VII of the Government Code, the Government of Guam waives immunity  
33 from any suit or action in contract on such bonds."