



COMMITTEE ON RULES

I Mina'trentai Unu na Liheslaturan Guåhan • The 31st Guam Legislature
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October 24, 2012

Memorandum

To: Pat C. Santos
Clerk of the Legislature

From: Senator Rory J. Respicio
Majority Leader & Rules Chair

Subject: Fiscal Notes

Hafa Adai!

Attached please find the fiscal notes for the bill numbers listed below. Please note that the fiscal notes, or waivers, are issued on the bills as introduced.

Bill No.: 524-31 (COR) 525-31 (COR)
526-31 (COR)
529-31 (COR)

Please forward the same to MIS for posting on our website. Please contact our office should you have any questions regarding this matter.

Si Yu'os ma'åse'!

2012 NOV -5 PM 2:46

**BUREAU OF BUDGET & MANAGEMENT RESEARCH**OFFICE OF THE GOVERNOR
Post Office Box 2950, Hagåtña Guam 96932EDDIE BAZA CALVO
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NOV 05 2012

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DEPUTY DIRECTOR

Senator Rory J. Respicio
Chairperson, Committee on Rules
I Mina'trentai Unu na Liheslaturan Guåhan
The 31st Guam Legislature
155 Hesler Place
Hagåtña, Guam 96932

Hafa Adai Senator Respicio:

Transmitted herewith is Fiscal Note on the following Bill Nos.: 524-31(COR), 526-31(COR), and 529-321(COR), and Fiscal Note Waiver on the following Bill Nos.: 525-31(COR).

If you have any question(s), please do not hesitate to call the office at 475-9412/9106.

A handwritten signature in black ink, appearing to be "John A. Rios", written over the printed name and title.

JOHN A. RIOS
Director

Enclosures

cc: Senator Vicente (ben) Pangelinan

Comment on Bill No. 526-31

This proposed legislative bill is seeking to add Chapter 51A to Title 12, GCA. Chapter 51A is the legislative requirement for the refinancing Government of Guam's outstanding bond obligations to lower its cost of debt services, using the General Obligation Bond (GOB) 1993 Series A to initiate the process. GOB 1993 Series A was partially financed November 2007, leaving a principal amount of \$28.1 Million as of July 2012. It is this amount that will be refinanced should this legislation be passed. This refinanced amount will be reduced by \$3.4 Million as the result of the debt service payment due November 2012 to \$24.7 Million. According to the Guam Economic Development Authority (GEDA), the opportunity to refinance this bond is better today than in FY 1993 due to the lower cost of debt service as compared to the cost of money in FY 1993. However, it is difficult at this time ascertain the savings associated with this refinancing.

Chapter 51A is being proposed to accomplish this endeavor based on the following process:

- Section 51A101 defines the terms used in the refinancing of old debt.
- Section 51A102 authorizes the Governor to issue the refunding bond provided:
 - The issuance does not violate the debt ceiling.
 - The existing debt is paid off concurrently with the issuance of the refunding bond.
 - The establishing of an escrow account is made to pay off the prior debt and associated costs such as administrative, accounting, legal, and bond issuance costs.
 - The new debt shall represent a present value savings over the old debt.
 - The final payment of the refund bond shall mature no later than 2023
 - The funding source and covenant of such refunding bond are to the same as the funding source and covenant identified for the old bond.
 - The proceeds of the refunding bond may be used to redeem the prior bond.
 - The terms and conditions of the refunding bond shall be determined by the Governor of Guam; but, also should be consistent with the provisions of this new chapter.
 - The refunding or refinanced bond shall constitute a valid, binding obligation of the Government of Guam.
 - The appropriations made for the prior bond shall remain in effect for the refunding bond.
 - The Governor of Guam is authorized to execute any appropriate agreement, certificates, or other instruments related to the sale of bonds.
 - The Governor of Guam is authorized to enter into such contracts necessary with financial institutions and insurance companies to enhance the marketability and security of the refunding bonds.
 - The board of directors of GEDA must adopt a resolution approving the sales of such issuance of the refunding bonds.
 - The sales of any refunding bond must also be approved by the Legislature. This approval has been freely given under item (o), Section 51A102 of Chapter 51A.
- Section 51A103 authorizes the investment of bond proceeds under the same certificate or indentures pursuant to which such bonds were issued.

- Section 51A104 authorizes the Government of Guam and the Governor of Guam to enter into contracts with other agencies or instrumentalities that will achieve the savings identified from the refunding of old bonds.
- Section 51A105 requires GEDA to sale a portion of the bond issuance locally in Guam at no cost increases to the Government of Guam for issuing and repaying of the bond.

Section 3 of this proposed legislation authorizes the appropriations of any savings incurred from the refinancing of the old bonds to: a) The University of Guam, b) The Mayors Council of Guam for capital improvement projects, and c) Tax refunds reserves.

**Bureau of Budget & Management Research
Fiscal Note of Bill No. 526-31 (COR)**

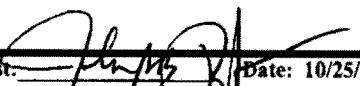

AN ACT TO AMEND SUBSECTIONS (a) AND (j) OF §1512.3 OF ARTICLE 5, CHAPTER 1, TITLE 5, GUAM CODE ANNOTATED, RELATIVE TO AUTHORIZING THE REFUNDING OF GOVERNMENT OF GUAM GENERAL OBLIGATION BONDS, 1993 SERIES A, AND TO SUPPORT USE OF GUAM WATERWORKS AUTHORITY 2010 BOND PROCEEDS TO FUND A GILL BREEZE BOOSTER PUMP PROJECT.

Department/Agency Appropriation Information	
Dept./Agency Affected: Administration	Dept./Agency Head: Benita Mangiona+E25
Department's General Fund (GF) appropriation(s) to date:	27,958,631
Department's Other Fund (Specify) appropriation(s) to date:	8,523,716
Total Department/Agency Appropriation(s) to date:	\$36,482,347

Fund Source Information of Proposed Appropriation			
	General Fund:	(Specify Special Fund):	Total:
FY 2012 Unreserved Fund Balance ¹		\$0	\$0
FY 2013 Adopted Revenues	\$0	\$0	\$0
FY 2013 Appro. (Substitute Bill 426-31)	\$0	\$0	\$0
Sub-total:	\$0	\$0	\$0
Less appropriation in Bill	\$0	\$0	\$0
Total:	\$0	\$0	\$0

Estimated Fiscal Impact of Bill						
	One Full Fiscal Year	For Remainder of FY 2013 (if applicable)	FY 2014	FY 2015	FY 2016	FY 2017
General Fund	\$0	\$0	\$0	\$0	\$0	\$0
(Specify Special Fund)	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$0	\$0	\$0	\$0	\$0	\$0

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

Analyst:  Date: 10/25/12	Director:  Date: NOV 05 2012
John AB Pangolinan	John A. Rios, Director

Footnotes:
See attached comment sheet.

Comment on Bill No. 526-31

This proposed legislative bill is seeking to refinance General Obligation Bond (GOB) 1993 Series A. GOB 1993 Series A was partially financed November 2007, leaving a principal amount of \$28 Million as of July 2012. It is this amount that will be refinanced should this legislation be passed. This refinanced amount will be reduced by \$3.4 Million as the result of the debt service payment due November 2012. Per Guam Economic Development Authority (GEDA), the opportunity to refinance this bond is better today than in FY 1993 due to the lower cost of debt service as compared to the cost of money in FY 1993. However, it is difficult at this time ascertain the savings associated with this refinancing.

To accomplish this endeavor, Section 1512.3 (a) of Article 5, Chapter 1, Title 5 GCA is amended to include verbiage to reserve funding necessary for the refunding of GOB 1993 Series A, subject to the conditions of paragraph ~~(2)(B)(iv)~~ (3). Paragraph 3 delineated the following conditions:

- To provide an escrow account to pay principal, interest and redemption price of GOB 1993 Series A.
- To pay expenses related to the authorization, sale and issuance of the new bond, including administrative, accounting and legal expenses associated with the bond issuance.
- To concurrently pay-off debt services of GOB 1993 Series A with the issuance of the refunding bond.
- To pay debt service solely from a secured escrow established for such purpose.
- To establish a saving based on a lower present value of 2% of the refund bond than the current present value of the debt service on GOB 1993 Series A.
- To maintain the aggregate amount of the government's outstanding "public indebtedness" (as defined in 48 USC 1423a (Section 11 of the Organic Act of Guam)).
- To appropriate the savings incurred as the result of the refinancing to:
 - \$1,000,000 to the University of Guam to avert tuition increases.
 - \$500,000 to the School of Education, University of Guam related to research initiatives.
 - Remaining realized savings for tax refund payments in accordance with the final Order in *Paeste v. Government of Guam*, Civil Case No. CV00008, District Court of Guam.

A new subparagraph (3) is added to Section 1512.3 (j) of Article 5, Chapter 1, Title 5 GCA regarding the authorized use of bond proceeds for refunding and this authorization is:

- To establish escrow fund to pay principal, interest, redemption price of GOB 1993 Series A.
- To pay expenses associated to the authorization, sales and issuance of the bonds inclusive of administrative, accounting, legal, financial and under-writing costs.