



EDDIE BAZA CALVO
Governor

RAY TENORIO
Lieutenant Governor

Office of the Governor of Guam

FEB 13 2014

Honorable Judith T. Won Pat, Ed.D.
Speaker
I Mina'trentai Dos Na Liheslaturan Guåhan
155 Hesler Street
Hagåtña, Guam 96910

32-14-1302
Office of the speaker
Judith T. Won Pat, Ed.D.
Date: 2/14/14
Time: 4:09 PM
Received by:

Dear Madame Speaker:

Transmitted herewith is Bill No. 226-32 (COR) "AN ACT TO ADD A NEW CHAPTER 58E TO TITLE 5, GUAM CODE ANNOTATED, RELATIVE TO THE FINANCE, DESIGN, RENOVATION, REHABILITATION, CONSTRUCTION OR MAINTENANCE OF PUBLIC SCHOOLS" which I signed into law on February 10, 2014 as Public Law 32-121.

Senseramente,

EDDIE BAZA CALVO

2014 FEB 14 PM 4: 49 W

1302



I MINA'TRENTAI DOS NA LIHESLATURAN GUÅHAN
2014 (SECOND) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUÅHAN

This is to certify that **Bill No. 226-32 (COR)**, "AN ACT TO *ADD* A NEW CHAPTER 58E TO TITLE 5, GUAM CODE ANNOTATED, RELATIVE TO THE FINANCE, DESIGN, RENOVATION, REHABILITATION, CONSTRUCTION OR MAINTENANCE OF PUBLIC SCHOOLS," was on the 1st day of February, 2014, duly and regularly passed.



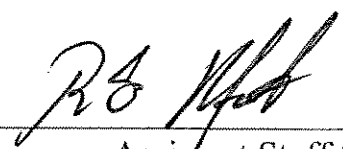
Judith T. Won Pat, Ed.D.
Speaker

Attested:



Tina Rose Muña Barnes
Legislative Secretary

This Act was received by *I Maga'lahaen Guåhan* this 1st day of FEB,
2014, at
10:50 o'clock P.M.



Assistant Staff Officer
Maga'lahaen's Office

APPROVED:



EDWARD J.B. CALVO
I Maga'lahaen Guåhan

Date: FEB 10 2014

Public Law No. 32-121

1 for the interest payments of the lease and lease-back as a form of bridge
2 financing until the maturity of the Business Privilege Tax bond series
3 2013C.

4 *I Liheslatura* finds that after reviewing the summary of outstanding
5 General and Limited Obligation debts as of March 1, 2013, that the debt
6 ceiling assessed value is at One Billion One Hundred Thirty Nine Million
7 Four Hundred Sixty Four Thousand Eight Hundred Fifty Three Dollars
8 (\$1,139,464,853). It also states that the General Obligation Debt is Four
9 Hundred Forty Six Million Four Hundred Seventy Three Thousand Eight
10 Hundred Fifty Three Dollars (\$446,473,853), and the Limited Obligation
11 Debt is Six Hundred Sixty Three Million Eight Hundred Ninety Six
12 Thousand Eight Hundred Three Dollars (\$663,896,803), with an
13 accumulated total of One Billion One Hundred Ten Million Three Hundred
14 Seventy Thousand Six Hundred Fifty Six Dollars (\$1,110,370,656).
15 Subtracting the debt ceiling limit less the General and Limited Obligation
16 Debts leaves the amount for future debt obligation at Twenty Nine Million
17 Ninety Four Thousand One Hundred Ninety Seven Dollars (\$29,094,197).

18 *I Liheslatura* further finds that the cost to fund the rehabilitation of
19 the public schools will certainly exceed the debt ceiling obligation if a
20 general obligation bond is pursued. To circumvent Guam's debt ceiling cap,
21 *I Liheslatura* finds that the construction of *Okkodo* High School, *Astumbo*
22 Middle School, *Liguan* Elementary School, *Adacao* Elementary School,
23 John F. Kennedy High School, and the expansion of *Okkodo* High School,
24 has demonstrated the fundamental soundness of using municipal lease as a
25 vehicle to build new educational facilities. By making the most of municipal
26 leasing to rehabilitate and construct Guam public schools, the remaining

1 future debt obligation may be used to fund other priorities of the
2 government.

3 § 58E101. **Definitions.** For purposes of this Chapter and *unless*
4 otherwise specified, the following words and phrases are defined to mean:

5 (a) *Comprehensive capital improvement plan* means a plan
6 that takes into consideration the physical condition of each school
7 along with attendance area population, enrollment patterns, and
8 bussing logistics. It *shall* also include how each school meets the
9 instructional needs of GDOE, and prioritizes repairs of existing
10 schools and renovation and construction of new school facilities in
11 order to deal with GDOE limited resources.

12 (b) *Contract shall* mean the design, renovation,
13 rehabilitation, construction, and financing contract entered into by and
14 between the education agency and the contractor chosen by the Guam
15 Economic Development Agency and approved by *I Liheslaturan*
16 *Guåhan*.

17 (c) *Contractor shall* mean the authorized entity which *shall*
18 be the signatory on the contract and *shall* be fully responsible for
19 carrying out the design, renovation, rehabilitation, construction,
20 financing, or maintenance of the education facility. The contractor
21 may cooperate with another entity or entities in any manner the
22 contractor deems appropriate to provide for the financing, design,
23 renovation, rehabilitation, construction or maintenance of the public
24 school facilities envisioned by this Act.

25 (d) *Education agency shall* mean the Guam Department of
26 Education.

1 (e) *Education facility* as used in this Act shall mean public
2 elementary and secondary schools on Guam, to include its athletic
3 fields and playgrounds, excluding the five leased schools under the
4 education agency.

5 (f) *Lease shall* mean a lease from an education agency to the
6 contractor entered into at the time of the contract for the property.

7 (g) *Lease-back shall* mean the lease from the contractor to
8 the education agency of the rehabilitated, renovated or newly
9 constructed education facility.

10 (h) *Lease-back period shall* mean the term of the lease from
11 the contractor to the education agency.

12 (i) *Property shall* mean any property on which an education
13 facility is located.

14 **§ 58E102. Authorization to Enter into Long-term Leases.** For
15 the purpose of facilitating the financing, design, construction and
16 rehabilitation and maintenance of an education facility encompassed by this
17 Act, the government of Guam or an education agency, as the case may be, is
18 authorized to lease, if required, to the contractor sufficient government of
19 Guam real property on which to rehabilitate an education facility; provided,
20 such property is in the inventory of the education agency or the government
21 of Guam. The property may be the site of an existing education facility
22 under the control of an education agency, which existing facility may be
23 rehabilitated under the provisions of this Act.

24 The education agency is also authorized to lease back from the
25 contractor the property for a period mutually agreed upon between the
26 education agency and the contractor as may be reasonably necessary to
27 amortize over the lease-back period the costs associated with the design,

1 renovation, rehabilitation, construction or maintenance of the education
2 facility. In no event shall the end of such lease-back period be later than the
3 date thirty (30) years from the scheduled date of completion of the education
4 facility. The lease-back may be structured as an annually renewable lease
5 with a provision for automatic renewals to the extent that pledged revenue
6 under § 58E107 is available. The lease-back *shall not* be construed as a debt
7 under any applicable debt limitation under the Guam Organic Act or Guam
8 law.

9 **§ 58E103. Identification of Projects and Procurement.** Under the
10 Superintendent of Education's direction, the education agency *shall* utilize
11 the Program Study, and the report generated by the Department of Interior
12 (DOI)-funded assessment report by the Army Corps of Engineers, to identify
13 and prioritize potential projects to be completed. The list of projects *shall* be
14 included in a Request for Proposals developed by the education agency.
15 Upon receipt of the Program Study, the Superintendent of Education *shall*
16 solicit Requests for Proposals (RFP) through the Department of Public
17 Works, in compliance with the Guam Procurement Law, for the financing,
18 design, construction and rehabilitation of the education facility, according to
19 the needs of the education agency and consistent with this Chapter. The
20 choice of the contractor *shall* be made by a selection committee comprised
21 of the Superintendent of the Department of Education, serving as Chairman,
22 and including the Director of the Department of Public Works or Deputy
23 Director, the Director of the Department of Land Management or Deputy
24 Director, the Administrator of the Guam Environmental Protection Agency
25 or Deputy Administrator, and the Administrator of the Guam Economic
26 Development Authority or Deputy Administrator. The committee *shall*
27 assess the prior performance of the contractor on similar projects, and *shall*

1 be free to disqualify any contractor that *does not* have a successful record of
2 project completion on Guam.

3 The selection of a contractor *shall* be based upon the proposal that
4 delivers the best value for Guam in meeting the objectives of the education
5 agency.

6 The RFP *shall* be issued within thirty (30) days after the receipt of the
7 Program Study for the design, renovation, rehabilitation, construction or
8 maintenance of the education facility.

9 **§ 58E104. Responsibilities of Developer/Contractor.** The
10 contract *shall* require that the contractor be responsible for all costs,
11 expenses and fees of any kind or nature, associated with the rehabilitation,
12 design, civil improvements, on-site and off-site infrastructure, construction,
13 permits, and financing associated with the completion of an education
14 facility, including the financing of furniture and equipment for the education
15 facility, as and to the extent provided by the education agency in the Request
16 for Proposals. The lease-back may provide that if sufficient funds are not
17 appropriated or otherwise available for the payment of amounts due under
18 the lease, the education agency will have the obligation to vacate the
19 education facility, and the contractor *shall* have the right of use and
20 occupancy of the education facility for the remainder of the term of the
21 lease, *unless* new mutually satisfactory terms are entered into. For this
22 purpose, the lease may provide that its term *shall* be extended for a period
23 *not to exceed* the shorter of ten (10) years beyond the original term of the
24 lease-back, or such period of time as is necessary to repay in full any
25 financing arranged pursuant to § 58E108 of this Chapter. The capital
26 maintenance costs *shall* be paid by the education agency.

1 **§ 58E105. Contractual Safeguards.** Prior to undertaking the work
2 of rehabilitating educational facilities, the Guam Economic Development
3 Authority, the Department of Public Works, the Guam Department of
4 Education, and the developer or contractor, *shall* negotiate and enter into a
5 binding construction contract to build or refurbish the educational facility in
6 accordance with the Guam Building Code (21 G.C.A. Ch. 67), and any other
7 applicable requirements. The construction contract *shall* contain contractual
8 obligations typically found in government of Guam construction contracts,
9 including, but *not* limited to:

- 10 (a) warranties;
- 11 (b) liquidated damages;
- 12 (c) performance and payment bonds;
- 13 (d) indemnity;
- 14 (e) insurance;
- 15 (f) standard specifications;
- 16 (g) technical specifications;
- 17 (h) progress schedule;
- 18 (i) maintenance;
- 19 (j) compliance with Guam labor regulations;
- 20 (k) compliance with Guam prevailing wage rates for
21 employment of temporary alien workers (H2) on Guam;
- 22 (l) compliance with Public Law 29-98: restriction against
23 contractors employing convicted sex offenders to work at government
24 of Guam venues.

25 The contract must be submitted for review and approval to all entities
26 charged by law with the duty to review and approve government contracts,
27 including the Office of the Attorney General.

1 **§ 58E106. Assignments.** To facilitate the purpose of this Act and
2 provide security for the holders of any financing instruments issued pursuant
3 to this Act, the contractor may assign, without the need of the consent of the
4 education agency, the contract, the lease and lease-back to any underwriter,
5 trustee or other party as appropriate to facilitate the contractor financing.

6 **§58E107. Pledge of Revenues.**

7 (a) Rental payments under the lease and the lease-back may
8 be secured by a pledge or other reservation of revenues collected by
9 the government of Guam from the following:

10 (1) Taxes collected under the Business Privilege Tax
11 Law (namely, 11 GCA Chapter 25, excluding the alcoholic
12 beverage taxes, liquid fuel taxes, automotive surcharges,
13 tobacco taxes and real property taxes). The business privilege
14 tax pledged or reserved *shall only* apply to the unpledged
15 portion of the business privilege tax (currently one percentage
16 point of the current four percent business privilege tax rate) so
17 as not to violate the government's covenants to bondholders of
18 the Series A, Series B and Series C Limited Obligation bonds
19 authorized through Public Law 31-76, Public Law 31-196 and
20 Public Law 31-276. The sum of approximately One Million
21 Eight Hundred Eighty-Two Thousand Eighty-Two Dollars
22 (\$1,882,082) *shall* fund interest in Fiscal Year 2015, and the
23 sum of approximately Two Million Five Hundred Sixty Four
24 Thousand One Hundred Sixty-Five Dollars (\$2,564,165) *shall*
25 fund interest payment annually for Fiscal Years 2016 through
26 2018.

1 (2) The sum of One Million Two Hundred Thousand
2 Dollars (\$1,200,000) from the revenues received pursuant to
3 §22425(q)(5) of Article 4, Chapter 22 Division 2, Title 5, Guam
4 Code Annotated will be available annually beginning in Fiscal
5 Year 2016; and

6 (3) The sum of Four Million Eight Hundred Thousand
7 Dollars (\$4,800,000) from the maturity of Business Privilege
8 Tax Bond Series 2013C *shall* be available annually beginning
9 in Fiscal Year 2019.

10 (b) Revenues pledged or reserved *shall* be remitted in the
11 following manner:

12 (1) The Business Privilege Tax *shall* only pay for the
13 interest payments of the lease and the lease-back pending the
14 maturity of the Business Privilege Tax Bond Series 2013C in
15 Fiscal Year 2019, and said interest payments *shall* cease.

16 (2) Revenues received pursuant to §22425 (q)(5) of
17 Article 4, Chapter 22 Division 2, Title 5, Guam Code
18 Annotated, upon availability; and

19 (3) Upon the maturity of the Business Privilege Tax
20 Bond Series 2013C.

21 Any amounts pledged as provided in this Section are hereby
22 continuously appropriated for the purpose of making lease-back payments,
23 but any amounts only reserved as provided in this Section, and not pledged,
24 shall be subject to annual appropriation for the purpose of making lease-back
25 payments. The revenues pledged or reserved and thereafter received by the
26 government of Guam or by any trustee, depository or custodian *shall* be
27 deposited in a separate account and *shall* be immediately subject to such

1 reservation or the lien of such pledge without any physical delivery thereof
2 or further act, and such reservation or the lien of such pledge *shall* be valid
3 and binding against all parties having claims of any kind in tort, contract or
4 otherwise against the government of Guam or such trustee, depository or
5 custodian, irrespective of whether the parties have notice thereof. The
6 instrument by which such pledge or reservation is created need not be
7 recorded.

8 **§ 58E108. Use of Tax-Exempt Bond, Taxable Bond and Other**
9 **Financing Instruments for Financing.** To minimize the financing cost to
10 the education agency, financing utilized by the contractor to fund the
11 design, renovation, rehabilitation, construction or maintenance of an
12 education facility *shall* be through tax-exempt obligations, taxable bond
13 obligation, or other financial instruments, provided, such financing is
14 available at interest rates determined by the education agency to be
15 reasonable and competitive. Alternatively, the contractor may use an
16 alternative method of financing, including, but *not* limited to, a short
17 term debt, mortgage, loan, federally guaranteed loan or loan by an
18 instrumentality of the United States of America if such financing will
19 better serve the needs of the people of Guam. Such alternative financing
20 *shall* be approved by *I Liheslaturan Guåhan*. The purpose for the
21 requirements of this Section is to assure the education agency pays the
22 lowest possible interest rate so that the cost to the education agency of
23 financing the design and construction of an education facility,
24 amortized through the lease-back payments from the education
25 agency to the contractor, will be lower than regular commercial rates.

26 **§ 58E109. Utilities, Maintenance and Repair.** The education
27 agency *shall* be responsible for the connection and payment of all utilities,

1 including without limitation, power, water, sewer, telephone, and cable, and
2 all maintenance and repair and exterior groundskeeping and landscaping,
3 and upkeep of the education facility.

4 **§ 58E110. Severability.** If any provision of this Act or its
5 application to any person or circumstance is found to be invalid or contrary
6 to law, such invalidity *shall not* affect other provisions or applications of this
7 Act which can be given effect without the invalid provisions or application,
8 and to this end the provisions of this Act are severable.”