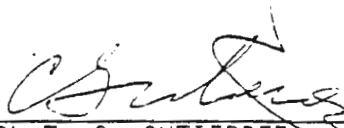


EIGHTEENTH GUAM LEGISLATURE
1986 (SECOND) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR

This is to certify that Substitute Bill No. 839 (LS), "AN ACT TO AUTHORIZE ISSUANCE OF GENERAL OBLIGATION BONDS OF THE GOVERNMENT OF GUAM AND FOR OTHER PURPOSES," was on the 31st day of July, 1986, duly and regularly passed.



CARL T. C. GUTIERREZ
Speaker

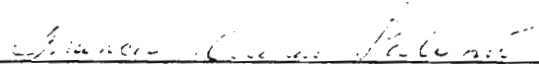
ATTESTED:



ELIZABETH P. ARRIOLA
Senator and Legislative Secretary


=====

This Act was received by the Governor this 7th day of August, 1986, at 4:35 o'clock P.m.



Assistant Staff Officer
Governor's Office

APPROVED:



RICARDO J. BORDALLO
Governor of Guam

Date: August 8, 1986 (2:25pm)

Public Law No. 18-41

EIGHTEENTH GUAM LEGISLATURE
1986 (SECOND) Regular Session

Bill No. 839 (LS)
Substitute by Committee on
Ways & Means
Further substituted by
Committee on Rules

Introduced by:

Committee on Rules, at the request of
the Governor in accordance with the
Organic Act of Guam

AN ACT TO AUTHORIZE ISSUANCE OF GENERAL OBLIGATION BONDS
OF THE GOVERNMENT OF GUAM AND FOR OTHER 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 read:

3 "Section 6128. General Obligation bonds. (a) Authorization for
4 issuance of General Obligation Bonds; Terms of Bonds. For the purpose of
5 satisfying the obligation to the Retirement Fund from the General Fund, the
6 Governor of Guam is authorized to issue one or more series of general
7 obligation bonds of the government in an aggregate principal amount not to
8 exceed Forty-Five Million Dollars (\$45,000,000); provided, that the bonds
9 shall not be issued without any unqualified opinion of bond counsel that
10 the interest on the bonds would be tax-exempt. The bonds shall mature at
11 such times not later than July 1, 1996, shall bear interest at such rates
12 not exceeding ten percent (10%) per annum payable at least semiannually on
13 such dates commencing not later than one year after the date of issuance of
14 the bonds, shall be in such denominations, shall be subject to redemption
15 at such times and upon payment of such premium not exceeding four percent
16 (4%) of the principal amount thereof and shall be sold at public or private
17 sale for such price not less than ninety-six percent (96%) of the principal
18 amount thereof plus accrued interest, all as determined by the Governor by
19 execution of one or more certificates upon or prior to the issuance of the
20 bonds

1 (b) Authorization for Credit Enhancement. The Governor is authorized
2 to enter into such contracts or agreements with such banks, insurance
3 companies or other financial institutions as he determines are necessary or
4 desirable to improve the security and marketability of the bonds. Such
5 contracts or agreements may contain an obligation to reimburse, with
6 interest, any such banks, insurance companies or other financial institutions
7 for advances used to pay principal of or interest on the bonds. Any such
8 reimbursement obligation may be secured by a pledge of the full faith and
9 credit of the government of Guam and the revenues described in Subsection
10 (i) of this Section.

11 (c) Use of Proceeds from Sale of Bonds. Proceeds from the sale of
12 the bonds shall be used solely to satisfy the obligation to the Retirement
13 Fund from the General Fund and to pay expenses related to the authorization,
14 sale and issuance of the bonds, including without limitation, printing
15 costs, costs of reproducing documents, bond insurance premiums, underwriting,
16 legal and accounting fees and charges, fees paid to banks or other financial
17 institutions providing credit enhancement, costs of credit ratings, fees and
18 charges for execution, transportation and safekeeping of bonds and other
19 costs, charges and fees in connection with the issuance, sale and delivery
20 of the bonds.

21 (d) Pledge of Full Faith and Credit; Authorization to Collect Revenues.
22 The bonds shall constitute valid and legally binding general obligations of
23 the government of Guam. The government of Guam pledges its full faith
24 and credit for the punctual payment of both principal and interest on the
25 bonds. There shall be collected annually in the same manner and at the
26 same time as government revenue for other purposes is collected, such sum

1 as is required to pay the principal and interest on the bonds. All officers
2 charged by law with any duty in the collection of the government revenues
3 shall do every lawful thing necessary to collect such sum.

4 (e) Appropriation from General Fund. There are appropriated from
5 the General Fund such sums as will, together with any pledged revenues,
6 equal in each year the amount of money necessary to pay the principal and
7 interest on such bonds.

8 (f) Additional Parity Bonds. The government of Guam, after appropriate
9 enabling legislation, may issue other general obligations of the government
10 secured on a parity with such bonds by the general obligation of the
11 government.

12 (g) Waiver of Immunity. Notwithstanding any substantive or procedural
13 provision of Chapter VI of Title VII of the Government Code, the government
14 of Guam waives immunity from any suit or action in contract on such bonds.

15 (h) Certificate of Governor. The technical form and language of
16 the bonds, including provisions for execution, exchange, transfer,
17 registration, paying agency, lost or mutilated bonds, negotiability,
18 cancellation and other terms or conditions not inconsistent with Subsection
19 (a) of this Section shall be as specified in a certificate of authorization
20 approved by the Governor, authorizing the issuance of the bonds. The
21 Governor may appoint a trustee authorized to receive and hold in trust
22 the proceeds of the bonds and revenues related thereto, to protect the
23 rights of bondholders and to perform such other duties as may be specified
24 in the certificate. The same or another such certificate may also authorize
25 persons so designated to execute, on behalf of the government of Guam, any
26 appropriate documents relating to the bonds and the sale of the bonds.

1 (i) Pledge of Section 30 Revenues. All or any part of the revenues
2 derived by the government of Guam under Section 30 of the Organic Act may
3 be pledged to secure the repayment of the bonds. Any pledge made to
4 secure bonds shall be made by the certificate of authorization delivered
5 pursuant to Subsection (h) of this Section and shall be valid and binding
6 from the time the pledge is made. The revenues pledged and thereafter
7 received by the government of Guam shall be deposited in a separate account
8 held by the government of Guam or by any trustee appointed pursuant to
9 Subsection (h) of this Section. The revenues shall, upon receipt by or
10 on behalf of the government of Guam, immediately be subject to the lien of
11 such pledge without any physical delivery thereof or further act, and the
12 lien of any such pledge shall be valid and binding against all parties having
13 claims of any kind in tort, contract or otherwise against the government of
14 Guam, irrespective of whether the parties have notice thereof. All such
15 taxes, fees and penalties, to the extent so pledged, are hereby continuously
16 appropriated for such purposes."

17 Section 2. A new Section 6129 is added to the Government Code to read:

18 "Section 6129. From the date of issuance of the first bonds authorized
19 by Section 6128 of this Code, all revenues thereafter received by the government
20 for deposit in the General Fund, other than revenues pledged or required for
21 the payment of principal of and interest on the bonds authorized by
22 Section 6128 of this Code, shall be paid to the Retirement Fund until the
23 payments to the Retirement Fund together with the proceeds, if any, of the
24 bonds paid to the Retirement Fund, satisfying the accrued obligation of the
25 General Fund of Forty-Three Million Two Hundred Thousand Dollars (\$43,200,000)
26 to the Retirement Fund, with interest, if any, as provided by law. Thereafter,
27 such revenues shall be available for appropriation as provided by law."

1 Section 3. Section 34 of the law enacted from Bill 924 passed on July 3,
2 1986 is amended to read:

3 "Section 34. The sum of Twenty Thousand Dollars (\$20,000) is
4 appropriated from the General Fund to the Guam Election Commission for
5 the purpose of hiring two (2) persons temporarily to assist with preparing
6 voter registration lists to be used at the precincts during elections and
7 also to hire reprogramming for the computer known as "Freddie" at the
8 University of Guam to tabulate ballots during elections, and for other
9 election-related purposes."

10 Section 4. 3 GCA §10107 is amended to read:

11 "§10107. Personal Delivery of Ballot. The Commission shall deliver a
12 ballot to any qualified elector applying in person at the office of said
13 Commission; provided, however, that such applicant shall complete and
14 subscribe the application heretofore prescribed by this Chapter; provided
15 further, that said application shall be made not more than thirty (30)
16 nor less than one (1) day before the date of the election for which the
17 vote is being cast. And provided further, that said ballot shall be
18 immediately marked, enclosed in the ballot envelope, placed in the return
19 envelope with the proper affidavit enclosed, and immediately returned to
20 the Commission."

21 Section 5. 3 GCA §10102 is amended to read:

22 "(a) Except as provided in Subsection (b), any voter, under the
23 circumstances specified in §10101 may, not more than sixty (60) nor
24 less than three (3) days, or if application is made in person, not later
25 than during the regular office hours of the day prior to any election,
26 make application to the Commission for an official ballot to be voted
27 at such election. Any such application shall be made in writing on a
28 form furnished by the Commission.

1 (b) A person classified under §10101 (b) may request an application
2 for an absentee ballot and the absentee ballot by telephone any time prior
3 to the close of the polls on election day."

4 Section 6. A new paragraph is added to 4 GCA §8130 to read:

5 "A member's contribution shall be deemed paid into the Fund ten (10)
6 working days after it is deducted from his or her paycheck. Interest on the
7 contribution shall accrue from the date of such deduction."

8 Section 7. 10 GCA §68101 is hereby amended to read as follows:

9 "§68101. Application for Bonuses. All application for bonuses
10 authorized by this Article must be made to the Office of Veterans Affairs
11 on or before December 31, 1986. Each applicant shall furnish to the
12 Office of Veterans Affairs evidence of his eligibility for a veterans
13 bonus. Eligibility may be evidenced by authenticated copies of records
14 of certificates issued by the Department of Defense, U. S. Military
15 Service Department or any other authorized agency having such evidence
16 in its possession."

17 Section 8. The sum of One Hundred Eighty-Seven Thousand Dollars
18 (\$187,000) is hereby appropriated from the General Fund to the Veterans
19 Affairs Office for the purpose of paying bonuses to members of the Guam
20 Combat Patrol, and Vietnam Veterans.

21 Section 9. The Governor of Guam is authorized to convey to Mrs. Lourdes
22 Cayanan that parcel of Government of Guam land (alley), containing an area
23 of 41.25 square meters, which alley adjoins Lot No. 5056-1, Dededo, Guam
24 for Six Hundred Dollars (\$600).

25 Section 10. The University of Guam shall not charge for the use of
26 the University Field House during the swearing-in ceremony for new citizens

1 on July 4, 1986. No charges or any kind for the above-mentioned costs shall
2 be made to the U. S. Immigration and Naturalization Service. This Section
3 shall be effective July 4, 1986.



Office of the Vice-Speaker Eighteenth Guam Legislature

P.O. Box CB-1, Agana
Territory of Guam, U.S.A. 96910
Tel: 477-8527/9120

JOE T. SAN AGUSTIN
Vice-Speaker

Chairman, Committee
on Ways and Means

Vice-Chairman, Committee
on Federal, Foreign, and
Legal Affairs

Member, Committee
on Rules

Member, Committee
on Tourism, Transportation,
and Communication

Member, Committee on
Health, Welfare,
and Ecology

Member, Committee
on Education

July 2, 1986

Honorable Carl T.C. Gutierrez
Speaker
Eighteenth Guam Legislature
P.O. Box CB-1
Agana, Guam 96910

VIA: Chairman, Committee on Rules

Dear Mr. Speaker:

The Committee on Ways & Means, to which Bill Number 839 (LS) as substituted was referred, wishes to report its findings and recommendations.

The Committee voting record is as follows:

To do pass	<u>3</u>
To not pass	<u>1</u>
To report out	<u>5 3</u>
Off-Island at not industry	<u>1 2</u>

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

Sincerely yours,

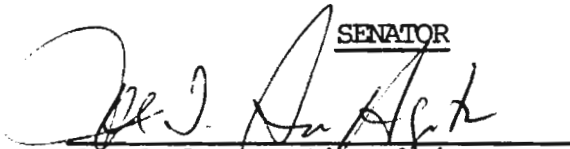
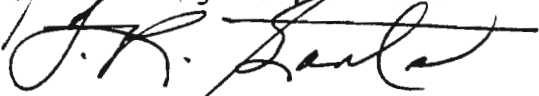
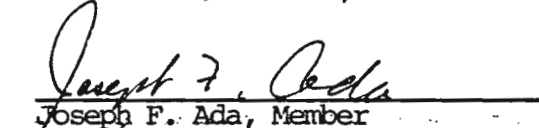


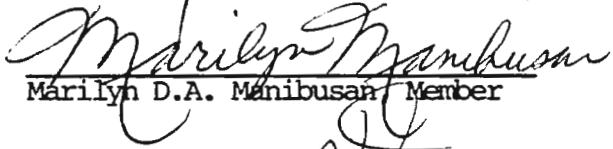
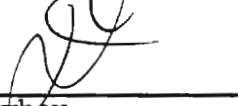
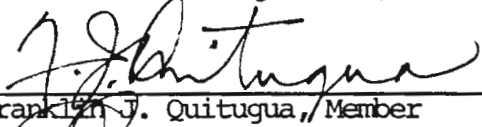
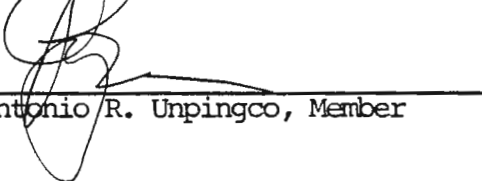
Joe T. San Agustin
JOE T. SAN AGUSTIN

attachments

15

VOTE SHEET
 Committee on Ways & Means
 BILL NO. 839 (LS)
 Substituted

"AN ACT TO AUTHORIZE ISSUANCE OF EVIDENCE OF A GENERAL OBLIGATION
 DEBT OF THE GOVERNMENT OF GUAM TO SATISFY THE OBLIGATION
 OF THE GOVERNMENT TO THE RETIREMENT FUND."

<u>SENATOR</u>	<u>TO DO PASS</u>	<u>TO NOT PASS</u>	<u>TO REPORT OUT</u>	<u>COMMENTS</u>
 Joe T. San Agustin, Chairman	✓			
 Francisco R. Santos, Vice-Chairman	✓			
 Joseph F. Ada, Member			✓	
 Herminia J. Dierking, Member	✓			
 Franklin J. Gutierrez, Member			✓	
 Marilyn D.A. Manibusan, Member			✓	
 Don Parkinson, Member		✓		
 Franklin J. Quitugua, Member			✓	
 Antonio R. Unpingco, Member			✓	

EIGHTEENTH GUAM LEGISLATURE
1986 (SECOND) Regular Session

Bill No. 839 (LS)
Substituted by Committee on
Ways & Means

Introduced by:

Committee on Rules, at the request
of the Governor in accordance with
the Organic Act of Guam.

AN ACT TO AUTHORIZE ISSUANCE OF GENERAL
OBLIGATION BONDS OF THE GOVERNMENT OF GUAM.

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. General Obligation bonds. (a) Authorization for
5 Issuance of General Obligation Bonds; Terms of Bonds. For the purpose of
6 satisfying the obligation of any accounts payable from the General Fund the
7 Governor of Guam is authorized to issue one or more series of general
8 obligation bonds of the government in an aggregate principal amount not to
9 exceed Forty-Five Million Dollars (\$45,000,000). The bonds shall mature at
10 such times not later than July 1, 1996, shall bear interest at such rates not
11 exceeding ten percent (10%) per annum payable at least semiannually on
12 such dates commencing not later than one year after the date of issuance of
13 the bonds, shall be in such denominations, shall be subject to redemption at
14 such times and upon payment of such premium not exceeding four percent
15 (4%) of the principal amount thereof and shall be sold at public or private
16 sale for such price not less than ninety-six percent (96%) of the principal
17 amount thereof plus accrued interest, all as determined by the Governor by
18 execution of one or more certificates upon or prior to the issuance of the
19 bonds.

20 (b) Authorization for Credit Enhancement. The Governor is authorized
21 to enter into such contracts or agreements with such banks, insurance
22 companies or other financial institutions as he determines are necessary or
23 desirable to improve the security and marketability of the bonds. Such

1 contracts or agreements may contain an obligation to reimburse, with
2 interest, any such banks, insurance companies or other financial
3 institutions for advances used to pay principal of or interest on the bonds.
4 Any such reimbursement obligation may be secured by a pledge of the full
5 faith and credit of the government of Guam and the revenues described in
6 Subsection (i) of this Section.

7 (c) Use of Proceeds from Sale of Bonds. Proceeds from the sale of
8 the bonds shall be used solely to satisfy the obligation of any accounts
9 payable from the General Fund and to pay expenses related to the
10 authorization, sale and issuance of the bonds, including without limitation,
11 printing costs, costs of reproducing documents, bond insurance premiums,
12 underwriting, legal and accounting fees and charges, fees paid to banks or
13 other financial institutions providing credit enhancement, costs of credit
14 ratings, fees and charges for execution, transportation and safekeeping of
15 bonds and other costs, charges and fees in connection with the issuance,
16 sale and delivery of the bonds.

17 (d) Pledge of Full Faith and Credit; Authorization to Collect Revenues.
18 The bonds shall constitute valid and legally binding general obligations of
19 the government of Guam. The government of Guam pledges its full faith
20 and credit for the punctual payment of both principal and interest on the
21 bonds. There shall be collected annually in the same manner and at the
22 same time as government revenue for other purposes is collected, such sum
23 as is required to pay the principal and interest on the bonds. All officers
24 charged by law with any duty in the collection of government revenues
25 shall do every lawful thing necessary to collect such sum.

26 (e) Appropriation from General Fund. There are appropriated from
27 the General Fund such sums as will, together with any pledged revenues,
28 equal in each year the amount of money necessary to pay the principal and
29 interest on such bonds.

30 (f) Additional Parity Bonds. The government of Guam, after
31 appropriate enabling legislation, may issue other general obligations of the
32 government secured on a parity with such bonds by the general obligation
33 of the government.

1 (g) Waiver of Immunity. Notwithstanding any substantive or
2 procedural provision of Chapter VI of Title VII of the Government Code,
3 the government of Guam waives immunity from any suit or action in contract
4 on such bonds.

5 (h) Certificate of Governor. The technical form and language of the
6 bonds, including provisions for execution, exchange, transfer, registration,
7 paying agency, lost or mutilated bonds, negotiability, cancellation and other
8 terms or conditions not inconsistent with Subsection (a) of this Section shall
9 be as specified in a certificate of authorization approved by the Governor,
10 authorizing the issuance of the bonds. The Governor may appoint a trustee
11 authorized to receive and hold in trust the proceeds of the bonds and
12 revenues related thereto, to protect the rights of bondholders and to
13 perform such other duties as may be specified in the certificate. The same
14 or another such certificate may also authorize persons so designated to
15 execute, on behalf of the government of Guam, any appropriate documents
16 relating to the bonds and the sale of the bonds.

17 (i) Pledge of Section 30 Revenues. All or any part of the revenues
18 derived by the government of Guam under Section 30 of the Organic Act
19 may be pledged to secure the repayment of the bonds. Any pledge made to
20 secure bonds shall be made by the certificate of authorization delivered
21 pursuant to Subsection (h) of this Section and shall be valid and binding
22 from the time the pledge is made. The revenues pledged and thereafter
23 received by the government of Guam shall be deposited in a separate
24 account held by the government of Guam or by any trustee appointed
25 pursuant to Subsection (h) of this Section. The revenues shall, upon
26 receipt by or on behalf of the government of Guam, immediately be subject
27 to the lien of such pledge without any physical delivery thereof or further
28 act, and the lien of any such pledge shall be valid and binding against all
29 parties having claims of any kind in tort, contract or otherwise against the
30 government of Guam, irrespective of whether the parties have notice
31 thereof. All such taxes, fees and penalties, to the extent so pledged, are
32 hereby continuously appropriated for such purpose."

33 Section 2. A new Section 6129 is added to the Government Code to
34 read:

1 "Section 6129. From the date of issuance of the first bonds
2 authorized by Section 6128 of this Code, all revenues thereafter
3 received by the government for deposit in the General Fund, other
4 than revenues pledged or required for the payment of principal of and
5 interest on the bonds authorized by Section 6128 of this Code, shall be
6 paid to the Retirement Fund until the payments to the Retirement Fund
7 together with the proceeds, if any, of the bonds paid to the
8 Retirement Fund, satisfy the accrued obligation of the General Fund of
9 Forty-three Million Two Hundred Thousand Dollars (\$43,200,000) to the
10 Retirement Fund, with interest, if any, as provided by law.
11 Thereafter, such revenues shall be available for appropriation as
12 provided by law."

COMMITTEE REPORT

BILL NO. 839 (LS)

"AN ACT TO AUTHORIZE ISSUANCE OF EVIDENCE OF A GENERAL OBLIGATION DEBT OF THE GOVERNMENT OF GUAM TO SATISFY THE OBLIGATION OF THE GOVERNMENT TO THE RETIREMENT FUND."

BACKGROUND

Bill No. 839 (LS) was introduced on March 12, 1986, by the Committee on Rules at the request of the Governor of Guam and is considered an integral part of the Administration's Deficit Elimination Plan. The purpose of the Bill as introduced is to authorize the Governor to issue general obligation bonds on behalf of the government, the proceeds of which would be used to pay and satisfy the outstanding liability of the government to the Retirement Fund. At the time the Bill was introduced in March, 1986, according to figures from the Retirement Fund, the total accounts receivable due to the Fund from the Government of Guam was \$43.1 million.

As submitted to the Legislature for introduction, the Bill included the following technical highlights:

- Amount - \$40.0 million maximum
- Interest Rate - not to exceed 10.75% per annum maximum
- Term - 10 years maximum
- Repayment - General Fund
- Security - 1) Full faith and credit of the government
2) Liquid assets of the Retirement Fund such as Treasury Bills, TCDs.

PUBLIC HEARING AND TESTIMONY

The public hearing for Bill No. 839 was first held on March 31, 1986, and was subsequently continued on May 22, 1986. The Committee members present included the Committee Chairman, Senator Joe T. San Agustin, and Senators Francisco R. Santos, and Herminia D. Dierking, Franklin J. Quitugua, Thomas V.C. Tanaka, and George Bamba.

The Committee did not accept the Administration's original proposal because of the fact that the funding source for the repayment of the bond had not been

clearly specified. Although the General Fund was the proposed repayment source, all present and existing revenues in the General Fund have been appropriated against. In addition, the use of the Retirement Fund assets to secure a debt whereby the proceeds of such a debt would be used as payment of accounts receivables due to the Retirement Fund was not considered a prudent financial transaction. In the event the Government of Guam defaulted on the bond obligation, the Retirement's cash assets used as collateral would be seized and applied toward payment of the debt jeopardizing the funds assets and future status of its members.

COMMITTEE FINDINGS

After further discussions between the Committee, Administration, and the Retirement Fund representatives, a revised Bill was offered to be substituted for the original Bill as introduced. The Committee has accepted the latest proposal by the Administration, therefore the Bill as reported out of the Committee now contains the following provisions.

Section 1.

(a) This subsection authorizes the Governor to issue one or more of a series of general obligation bonds not to exceed \$45 million. The proceeds of the bond issuance shall be used to satisfy the "obligation of any accounts payable from the General Fund". The specific purpose of addressing the liability to the Retirement Fund has been included and is addressed in Section 2 of the Bill. An interest rate ceiling has been set at 10% as well as a term of no longer than 10 years. In addition, the bonds are to be sold at a discount of no more than 4%.

(b) This subsection authorizes the Governor to obtain credit insurance from banks, insurance companies or other financial institutions in order to improve the rating and marketability of the bonds. This subsection also provides for the reimbursement of principal and interest in the event such companies have advanced funds toward repayment of the bond issue if the government were to be in default. The reimbursement obligation may be secured by the full faith and credit of the government including the Section 30 revenues. The purchase of credit insurance further promotes the sale of the

bonds and provides for increased marketability in addition to improved credit rating.

(c) The use of the proceeds from the sale of the bonds has been determined strictly for accounts payable of the General Fund as mentioned earlier and all other incidental expenses related to the sale and issuance of the bonds. Some of the issuance costs include the underwriting, legal, and accounting fees, credit enhancement fees, printing costs, bond insurance premiums, and the cost for credit ratings on the bonds. These costs are standard in the bond industry and are part of the normal charges in the issuance of bonds.

(d) This subsection pledges the full faith and credit of the Government of Guam toward the repayment of the principal and interest on the bonds and directs those individuals responsible for the collection of government revenues to perform everything necessary to collect such revenues. This subsection further obligates the Government of Guam to insure prompt payment of both principal and interest on the bonds and statutorily constitutes the bond issuance as a valid and legal obligation of the government. This full faith and credit pledge once again ensures the prospective bond purchasers the repayment of principal and interest by the Government of Guam further enhancing the bond's sale.

(e) This subsection automatically and continuously appropriates the funds necessary to pay the principal and interest on the bonds. The funds identified for appropriation are from the General Fund and any other pledged revenues such as the Section 30 funds. This section again adds further enhancement for the sale and marketability of the bonds. This also ensures the prospective bond buyers there is a direct fund source in cash originating from the federal government to repay the bonds in the form of Section 30 funds.

(f) This subsection allows the government to issue other general obligations through legislation as needed.

(g) This subsection is a waiver of immunity clause which states the Government of Guam waives immunity from any legal suit or action in reference to the bond issue. Present provisions in the local laws provide in the event of bond defaults, a six month waiting period before legal action may be filed

against the government. This waiver is again considered a positive feature of the bonds which will further enhance their credit rating, salability, and hopefully, provide for a lower interest rate. In the event of default, bond holders would not have to wait for 6 months before filing a legal suit or action against the government for payment of principal and interest on the bonds.

(h) The Governor through this subsection shall issue a certificate of authorization showing the details of the bond issuance. In addition, the Governor is also given the authority to appoint a trustee to manage the proceeds of the bonds as well as the revenues to pay for the bond indebtedness.

(i) This subsection outlines the full security and repayment source for the bond issue. All the revenues from the Section 30 Funds are pledged for security and a portion has been identified as the annual debt service payment. Each year the Section 30 revenues are remitted from the Federal government to the General Fund in the amount of approximately \$27 million. The funds are considered a part of the annual operating revenue for the Government of Guam and have in the past been appropriated against, not specifically, but as part of the annual revenue estimate.

The proposal in Bill No. 839 seeks to immediately apply the debt service amount of \$6.4 million from the receipt of Section 30 Funds by the Government of Guam. Therefore, the bonds will have Section 30 Funds as a cash security and repayment which should give the bonds a very attractive rating in the bond market at the lowest possible interest rate.

In further discussions between the Committee Chairman and the bond Counsel and bond underwriter, a "comfort letter" will be forthcoming from the Department of Interior specifically, Ms. Nancy Boone indicating no objection from the Department in using Section 30 funds as a basis for security as well as repayment. Presently, the Section 30 funds are identified as repayment toward the Guam Power Authority loan in the event of a default by the Authority.

For Fiscal Year 1986, the Section 30 revenues were identified as a part of the government's annual revenues. A portion of these revenues were reserved for the repayment of the Bank of Guam loan (\$3.7 million) and for other government

liabilities (\$3.0 million). According to Administration officials, the loan has since been paid off and the liabilities will continue to be paid as a debt service to the bond issue.

Section 2. During further discussions and review of the bill authorizing the bond issue, it was determined the bond issue may be in violation with the IRS Tax Code, specifically, the arbitrage laws. This was due to the fact that the proceeds of the bond issue would ultimately be used by the Retirement Fund to make investments which is their purpose and duty. Section 2 of the bill mandates that all revenues covered into the General Fund, with the exception of those revenues used for the payment of principal and interest on the bonds, shall be applied toward payment to the Retirement Fund. Basically, the proceeds of the bond issue will be deposited into the General Fund and through this section the General Fund will then apply all past due payments to the Retirement Fund using all revenues necessary in the General Fund.

In summary, the Committee in coordination with the Administration has addressed numerous issues on the proposed bond sale with the intent to market the bonds at the lowest possible interest rate, the highest possible credit rating, and a repayment method that is secured and binding. These major highlights will serve to improve the bond sale, make the bonds more attractive to possible investors, improve the overall credit rating, interest rate, and marketability of the bonds.

- (1) The authorization to purchase credit insurance.
- (2) The pledge of full faith and credit of the Government of Guam.
- (3) The appropriation of all General Fund revenues necessary for the repayment of the bonds.
- (4) The 6 month waiver of immunity from any suit in connection with the bonds.
- (5) Pledge of Section 30 revenues as a repayment source as well as security on the bonds.
- (6) Addressing the possible question of the bond issue as being in conflict with federal arbitrage laws.

In addition, the specifics of the bond issue are as follows:

Amount - \$45.0 million maximum

Interest Rate - 10% per annum maximum

Term - 10 years maximum

Annual Debt Service - \$6.4 million

Repayment Source - General Fund and Section 30 revenues

Security - Full faith and credit of the Government

Section 30 revenues

COMMITTEE RECOMMENDATION

The Committee hereby recommends to the full Legislature the approval and passage of Bill No. 839 (LS) as substituted.

EIGHTEENTH GUAM LEGISLATURE

CHAIRMAN, COMMITTEE ON RULES

Members: Speaker Carl T.C. Gutierrez
Sens. Elizabeth P. Arriola,
Herminda D. Dierking,
Franklin J. Gutierrez,
Pilar C. Lujan,
Ted S. Nelson,
Don Parkinson,
Franklin J. Quitugua,
Joe T. San Agustin,
Francisco R. Santos,
Edward R. Duenas



SENATOR JOHN PEREZ AGUON

P.O. Box CB-1
Agana, Guam USA 96910
472-2990, 472-3426, 472-6614

MEMBER

Committee on General Governmental
Operations
Committee on Economic Development,
Housing and Community Development
Committee on Tourism, Transportation
and Communications
Committee on Federal, Foreign and
Legal Affairs

July 29, 1986

The Honorable Carl T.C. Gutierrez
Speaker
Eighteenth Guam Legislature
P.O. Box CB-1
Agana, Guam 96910

Dear Mr. Speaker:

The Committee on Rules at its meeting on July 29, 1986, approved the placement of Bill No. 839 on top of the Second Reading File; and hereby transmits to the full Legislature Bill No. 839 as Substituted by the Committee on Ways & Means and further Substituted by the Committee on Rules.

The Committee voting record for passage of Bill No. 839 is as follows:

TO DO PASS	<u>9</u>
TO NOT PASS	<u>1</u>
ABSTAIN	<u>1</u>
COMMENTS	<u> </u>

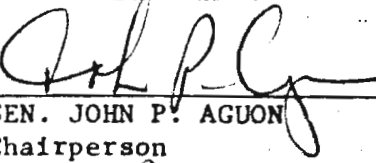
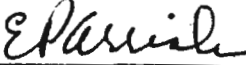
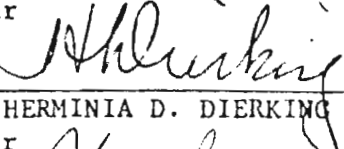
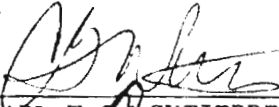
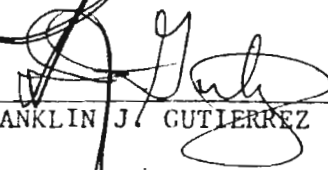
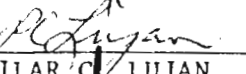
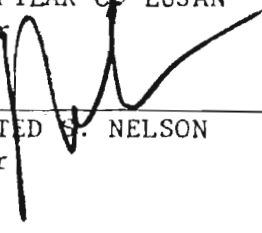
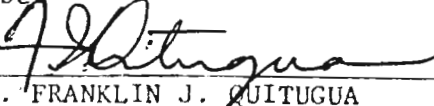
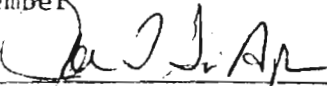
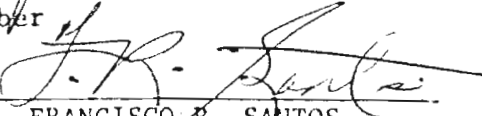
A copy of the Committee Report and all pertinent documents are attached for your information.

Sincerely yours,

Handwritten signature of John P. Aguon.
JOHN P. AGUON
Chairman

Attachments

VOTING SHEET
COMMITTEE ON RULES

MEMBERS	TO DO PASS	TO NOT PASS	ABSTAINED	COMMENTS
 SEN. JOHN P. AGUON Chairperson	✓			
 SEN. ELIZABETH P. ARRIOLA Member	✓			
 SEN. HERMINIA D. DIERKING Member	✓			
 SEN. CARL T. GUTIERREZ Member	✓			
 SEN. FRANKLIN J. GUTIERREZ Member	✓			Resort
 SEN. PILAR C. LUJAN Member	✓			
 SEN. TED S. NELSON Member	✓	✓		
SEN. DON PARKINSON Member				
 SEN. FRANKLIN J. QUITUGUA Member			✓	To report out. FDR
 SEN. JOE T. SAN AGUSTIN Member	✓			
 SEN. FRANCISCO R. SANTOS Member	✓			
SEN. EDWARD R. DUENAS Member				

COMMITTEE ON RULES

REPORT

BILL 839

The Committee on Rules met at 10:00 a.m. on July 29, 1986. During the meeting, and during the discussion of the session agenda concerning the veto of certain sections of Substitute Bill 924, the Legislative Counsel was instructed to prepare an amendment amending the current law with respect to receipt of messages and communications from the Governor to the Legislature. The amendment was to provide for receipt of messages and communications from the Governor to the Legislature by the Speaker during working hours at the office of the Speaker, and receipt of such messages and communications from the Governor to the Legislature by the Speaker personally at times other than during office hours. Additionally, it was specified that the amendment indicate that if a transmittal of a message or communication was to take place after office hours that the Speaker be notified of such intention and the place of such transmittal should be decided by the Speaker. Finally, constructive service is not acceptable when delivered to the Speaker after hours. The Committee on Rules voted to attach this amendment to a bill to be used at the next session, and such an amendment is incorporated as Section 3 of Bill 839, Substitute by Committee on Ways and Means further Substitute by Committee on Rules.

Bill number 839, Substitute by Committee on Ways and Means as reported out in letter dated July 2, 1986 was taken up for discussion and the bill, as further substituted by Committee on Rules

was placed first on the second reading file for the session agenda for 10:00 a.m. Thursday, July 31, 1986. Bill 839 Substitute by Committee on Ways and Means was adopted as reported out by the Committee on Ways and Means on July 2, 1986 for Sections 1 and 2, and the version substituted by Committee on Rules adds the following sections, which were adopted, to the version substituted by Committee on Ways and Means:

1. A new Section 3 was added to the bill repealing and reenacting Subsection (c) of 2 GCA Section 1118 specifying how the Governor is to transmit messages or communications to the Legislature, as specified in the first paragraph of this Committee Report.
2. A new Section 4 was added to the bill amending Section 34 of the law enacted from Bill 924 passed July 3, 1986 in order to add ", and for other election related purposes" to that section, allowing the Election Commission to utilize the Twenty Thousand Dollars (\$20,000) appropriated to it in Section 34 of the law enacted from Bill 924 passed July 3, 1986 for broader purposes than that originally specified.
3. A new Section 5 was added to the bill, amending 3 GCA Section 10107 to allow persons who request absentee ballots to go down to the Election Commission thirty (30) days before the election to fill out their ballots, as compared to the fifteen (15) days before the election that is allowed by the Code presently.

1 (i) Pledge of Section 30 Revenues. All or any part of the revenues
2 derived by the government of Guam under Section 30 of the Organic Act may
3 be pledged to secure the repayment of the bonds. Any pledge made to
4 secure bonds shall be made by the certificate of authorization delivered
5 pursuant to Subsection (h) of this Section and shall be valid and binding
6 from the time the pledge is made. The revenues pledged and thereafter
7 received by the government of Guam shall be deposited in a separate
8 account held by the government of Guam or by any trustee appointed
9 pursuant to Subsection (h) of this Section. The revenue^s shall, upon
10 receipt by or on behalf of the government of Guam, immediately be subject
11 to the lien of such pledge without any physical delivery ^{dropped line - see 10/1/82} and binding against
12 all parties having claims of any kind in tort, contract or otherwise against
13 the government of Guam, irrespective of whether the parties have notice
14 thereof. All such taxes, fees and penalties, to the extent so pledged,
15 are hereby continuously appropriated for such purposes."

16 Section 2. A new Section 6129 is added to the Government Code to read:

17 "Section 6129. From the date of issuance of the first bonds authorized
18 by Section 6128 of this Code, all revenues thereafter received by the
19 government for deposit in the General Fund, other than revenues pledged or
20 required for the payment of principal of and interest on the bonds authorized
21 by Section 6128 of this Code, shall be paid to the Retirement Fund until the
22 payments to the Retirement Fund together with the proceeds, if any, of the
23 bonds paid to the Retirement Fund, satisfy the accrued obligation of the
24 General Fund of Forty-Three Million Two Hundred Thousand Dollars
25 (\$43,200,000) to the Retirement Fund, with interest, if any, as provided
26 by law. Thereafter, such revenues shall be available for appropriation
27 as provided by law."

**QUESTIONS REGARDING THE PROPOSED GOVERNMENT OF GUAM BOND ISSUE
TO PAY THE EXISTING RETIREMENT FUND OBLIGATION**

1. Does this bond create added debt of the Government?

No. This bond issue replaces the existing obligation owed to the Retirement Fund and created by PL-17-53 which carries an 11 3/4% rate plus over \$31 million which would carry an interest rate of at least 11 3/4%. The bond issue will have an interest rate of about 7% in today's market. In effect, the Government is refinancing an 11 3/4% debt at 7% to save about \$7.6 million in debt service payments.

2. What is the current obligation of the General Fund to the Retirement Fund?

The General Fund has an existing-balance of \$12.8 million under PL-17-53 and an additional \$31 million representing unpaid contributions from Fiscal Year 1985.

3. How would the bond issue affect the annual budgetary obligation of the General Fund?

The bond issue would, in today's market, save the General Fund about \$1.85 million in Fiscal Year 1987, \$1.7 million in Fiscal Year 1988, and over \$1 million annually through 1991.

4. How much money will the bonds save the General Fund?

The General Fund will save approximately \$7.6 million over the 10 year life of the bonds.

5. How will the Retiree's and the Retirement Fund benefit from the bond issue?

Retirement Fund's unfunded liability will be reduced and the fiscal integrity of it greatly improved. Employee's will now know that their contributions during 1982-86 will have been fully paid over to the Retirement Fund.

The other major benefits are:

A) Retirement Fund could be \$50-100 million richer at the end of the 10 years. It can invest at compounded rates significantly higher than the 11 3/4% rate the General Fund is paying it. The Retirement Fund earned over 25% on its investments during the past year.

B) Fiscal integrity of Retirement Fund improved. The \$43 million owed to the Fund becomes investable assets and not a note receivable from the General Fund at a below market rate.

C) Cash flow of Retirement Fund increased by receiving higher interest and dividends on invested assets compared to interest received from General Fund.

6. How will the Retirement Fund use the proceeds of the bonds?

The Retirement Fund is currently earning a rate of return exceeding 20%. This market rate of return is much higher than the 11 3/4% paid by the General Fund under PL 17-53. This higher return will further boost the integrity of the Retirement Fund.

7. Will the public debt markets accept the Government's General Obligation Pledge and Subordinated pledge of Section 30 revenues?

Yes. Goldman, Sachs & Co. has had extensive discussions with credit enhancement providers and is confident that credit enhancement can be arranged on very acceptable terms. Goldman Sachs expects the bond to receive a good market reception.

8. Is there an urgency for completing this bond issue?

Yes, because the current market offers historically low interest rates which increase the savings of this refinancing for the Government. There is some uncertainty whether these historically low rates will continue. Also, Congressional tax proposals may adversely affect government bond issues. Any proposed changes currently being considered by Congress will not be effective until the enactment of the proposed tax bill or September 1, 1986.

9. What is in the proposed financing plan?

The Government will issue approximately \$45 million of bonds secured by its general obligation pledge and a subordinated pledge of Section 30 revenues. The bonds will have approximately level annual debt service of \$6.4 million and mature in 1996. The bond will be rated "AAA", being further secured by a bond insurance guaranty like that of the Highway bond issue. Proceeds of the bonds will go to the Retirement Fund to be invested at its discretion.

10. Is there a current budget appropriation to cover the existing General Fund obligation to the Retirement Fund?

Yes. The current budget and Fiscal Year 1987 budget already provides \$6.7 million to repay outstanding amounts due the Retirement Fund. The proposed debt service on bonds would require annual debt service of \$6.4 million resulting in a \$300,000 savings compared to the set-aside budgeted amount.

11. What is the applicable Governmental Debt Ceiling?

Bond counsel has advised that the Government's statutory debt ceiling is 10% of appraised property value - not assessed value. Thus, the current ceiling is approximately \$215,000,000.

12. Does the Chamber of Commerce Initiative affect this proposal?

No. The proposal itself is a cost-savings measure which helps cut the deficit and reduce annual budget appropriations for repaying the accumulated debt owed to the Retirement Fund. The proposal also repays the money now to the Fund rather than over several years.

COMPARISON OF
EXISTING GOVERNMENT RETIREMENT FUND
DEBT SERVICE WITH NEW PROPOSED
DEBT SERVICE

EXISTING DEBT				PROPOSED DEBT	ANNUAL SAVINGS
DATE	\$13M @ 11.75% (PL-17-53)	\$30M @ 11.75% (ASSUMED NEW NOTE)	COMBINED DEBT SERVICE	\$45000M @ 7%	NEW DEBT SERVICE VS. OLD DEBT SERVICE
1986	\$787,326	\$1,313,826	\$2,101,152	\$1,601,747	\$499,405
1987	\$3,003,679	\$5,255,305	\$8,258,984	\$6,406,988	\$1,851,996
1988	\$2,818,385	\$5,255,305	\$8,073,690	\$6,406,988	\$1,666,702
1989	\$2,626,372	\$5,255,305	\$7,881,677	\$6,406,988	\$1,474,689
1990	\$2,437,718	\$5,255,305	\$7,693,023	\$6,406,988	\$1,286,035
1991	\$2,249,065	\$5,255,305	\$7,504,370	\$6,406,988	\$1,097,382
1992	\$2,061,703	\$5,255,305	\$7,317,008	\$6,406,988	\$910,020
1993	\$1,871,758	\$5,255,305	\$7,127,063	\$6,406,988	\$720,075
1994	\$1,279,998	\$5,255,305	\$6,535,303	\$6,406,988	\$128,315
1995	\$0	\$5,255,305	\$5,255,305	\$6,406,988	(\$1,151,683)
1996	\$0	\$3,941,478	\$3,941,478	\$4,805,241	(\$863,763)
	\$19,136,004	\$52,553,049	\$71,689,053	\$64,069,880	\$7,619,173
					=====
					GROSS SAVINGS

USES OF FUNDS:

NET PROCEEDS:	\$42,585,000
UNDERWRITERS DISCOUNT:	\$1,575,000
COST OF ISSUANCE:	\$200,000
BOND INSURANCE:	\$640,000

	\$45,000,000

SOURCES OF FUNDS:

BOND PROCEEDS:	\$45,000,000

	\$45,000,000

46 April 17

Introduced

EIGHTEENTH GUAM LEGISLATURE
1986 (SECOND) Regular Session

TO: wtm

MAR 12 '86

BILL NO. 839(LS)

Introduced by:

Committee on Rules, at the request of the
Governor in accordance with the Organic
Act of Guam

AN ACT TO AUTHORIZE ISSUANCE OF EVIDENCE OF A
GENERAL OBLIGATION DEBT OF THE GOVERNMENT OF GUAM
TO SATISFY THE OBLIGATION OF THE GOVERNMENT TO THE
RETIREMENT FUND

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

Section 1. To satisfy the obligation of the General Fund to the Retirement Fund which, as of September 30, 1985, had a principal balance, including the obligation under subsection (c) of §21 of Public Law 17-53 and the current accounts receivable, of \$ _____, the Governor of Guam is authorized to issue evidence of a general obligation debt of the government in an aggregate principal amount not to exceed the principal balance of the obligation remaining unpaid at the time of issuance of the evidence of debt. Interest on the debt shall be at a rate not exceeding 10.75 per cent per annum, payable semiannually. Payments on the principal shall be made at least annually in amounts calculated to produce approximately level annual payments of principal and interest taken together and calculated to be sufficient to completely retire the evidence of the debt by the end of fiscal year 1996-1997 of the government. The debt so evidenced shall not be redeemable by the government before maturity. The evidence of debt may be in the form of either a negotiable promissory note or negotiable bonds and shall

constitute valid and legally binding general obligations of the government of Guam.

Section 2. The government of Guam pledges its full faith and credit for the punctual payment of both principal and interest on the debt issued under Section 1. There shall be collected annually in the same manner and at the same time as other government revenue is collected, in addition to the ordinary revenues of the government, such sum as is required to pay the principal and interest on the debt. All officers charged by law with any duty in the collection of government revenues shall do every lawful thing necessary to collect such additional sum.

Section 3. There is hereby appropriated from the General Fund such an amount as will equal in each year the amount of money necessary to pay the principal and interest of such debt.

Section 4. The government of Guam, after appropriate enabling legislation, may issue other general obligations of the government secured on a parity with such debt.

Section 5. Notwithstanding any provision of Chapter VI of Title VII of the Government Code to the contrary, the government waives immunity from any suit or action in contract on such debt.

Section 6. The technical form and language of the promissory note or bonds issued under section 1 of this Act, including provisions for execution, exchange, transfer, registration, paying agency, lost or mutilated bonds, negotiability, cancellation or other similar terms or conditions shall be as specified in a certificate of authorization approved by the Governor, authorizing the issues of the promissory note or bonds. The certificate shall authorize persons so designated to execute, on behalf of the Government of Guam, any appropriate documents relating to the evidence of debt and sale of the evidence of debt by the Retirement Fund.

Section 7. After issuance and upon the agreement of the Board of Trustees of the Retirement Fund, the evidence of debt shall be delivered to the Board of Trustees. The Board of Trustees shall have power and authority to treat the evidence of debt as it would any investment of moneys in the Retirement Fund, and may sell the evidence of debt and sale of the evidence of debt or participations therein, with or without a pledge of collateral by the Retirement Fund to secure the payment of the debt, or other supplemental credit support arranged by the Retirement Fund. The proceeds of the sale of the evidence of debt shall be deposited in the Retirement Fund for use solely for the purposes of the Retirement Fund. Section 5 of Public Law 15-15 shall not apply to any such sale.