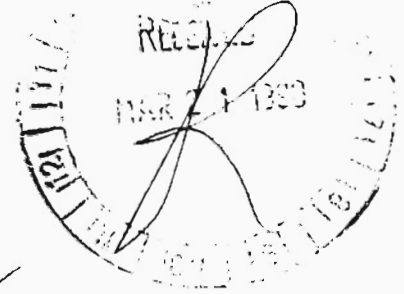




Territory of Guam
Territorio de Guam

OFFICE OF THE GOVERNOR
OFISINAN I MAGA LAHI
AGANA, GUAM 96910 U.S.A.

MAR 21 1990



The Honorable Joe T. San Agustin
Speaker, Twentieth Guam Legislature
Post Office Box CB-1
Agana, Guam 96910

Recy
d

Dear Mr. Speaker:

Transmitted herewith is Bill No. 558, which I have signed into law this date
as Public Law No. 20-146.

Sincerely,

Joseph F. Ada

JOSEPH F. ADA
Governor

200779

Attachment



TWENTIETH GUAM LEGISLATURE
1990 (SECOND) Regular Session

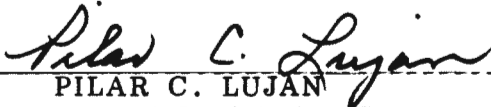
CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR

This is to certify that Substitute Bill No. 558 (COR), "AN ACT TO INCREASE THE BONDED AND LONG-TERM INDEBTEDNESS OF THE GUAM TELEPHONE AUTHORITY FOR THE EXPANSION AND IMPROVEMENT OF ITS SYSTEM; TO REPEAL AND REENACT SUBSECTION (a) OF §7210 AND §7206, BOTH OF TITLE 12, GUAM CODE ANNOTATED, IN CONNECTION THEREWITH AND TO REQUIRE PUBLIC UTILITY COMMISSION APPROVAL OF AGREEMENTS ON LONG DISTANCE TELECOMMUNICATION SERVICES," was on the 7th day of March, 1990, duly and regularly passed.



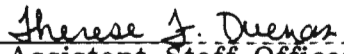
JOE T. SAN AGUSTIN
Speaker

Attested:



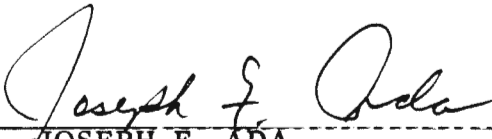
PILAR C. LUJAN
Senator and Legislative Secretary

This Act was received by the Governor this 9th day of March, 1990,
at 4:52 o'clock p.m.



Therese J. Duenas
Assistant Staff Officer
Governor's Office

APPROVED:



JOSEPH F. ADA
Governor of Guam

Date: MAR 21 1990

Public Law No. 20-146

TWENTIETH GUAM LEGISLATURE
1989 (FIRST) Regular Session

Bill No. 558 (COR)
As substituted by the Committee on
Energy, Utilities and Consumer
Protection and the Committee on
Economic Development and further
substituted by Committee on Rules

Introduced by:

H. D. Dierking
J. P. Aguon
E. P. Arriola

M. Z. Bordallo
C. T. C. Gutierrez
P. C. Lujan
G. Mailloux
T. S. Nelson
D. Parkinson
F. J. A. Quitugua
E. D. Reyes
F. R. Santos
J. T. San Agustin
J. G. Bamba
D. F. Brooks
E. R. Duenas
E. M. Espaldon
M. D. A. Manibusan
M. C. Ruth
T. V. C. Tanaka
A. R. Unpingco

AN ACT TO INCREASE THE BONDED AND
LONG-TERM INDEBTEDNESS OF THE GUAM
TELEPHONE AUTHORITY FOR THE
EXPANSION AND IMPROVEMENT OF ITS
SYSTEM; TO REPEAL AND REENACT
SUBSECTION (a) OF §7210 AND §7206, BOTH
OF TITLE 12, GUAM CODE ANNOTATED, IN
CONNECTION THEREWITH AND TO REQUIRE
PUBLIC UTILITY COMMISSION APPROVAL OF
AGREEMENTS ON LONG DISTANCE
TELECOMMUNICATION SERVICES.

1 BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:
2 Section 1. The Guam Telephone Authority ("GTA") may increase its
3 bonded and long-term indebtedness from Sixty-One Million Three Hundred

1 Two Thousand Nine Hundred Fifty Dollars (\$61,302,950) to One Hundred
2 Twenty-Five Million Nine Hundred Seven Thousand Eight Hundred Dollars
3 (\$125,907,800).

4 Section 2. GTA may issue:

5 (a) A revenue bond payable to the order of the Rural Telephone
6 Bank, an instrumentality of the United States of America, in the
7 principal amount of Sixteen Million Eighty-Two Thousand Eight
8 Hundred Fifty Dollars (\$16,082,850), bearing interest at a rate to be
9 determined in accordance with the provisions of Section 408(b)(3) of
10 the Rural Electrification Act of 1936, as amended (7 U.S.C.
11 948(b)(3)), and the implementing regulations, as amended from time to
12 time (7 C.F.R. #1610.10), and providing for the payment of the
13 indebtedness evidenced thereby within thirty-five (35) years after the
14 date thereof; and

15 (b) A revenue bond payable to the order of the United States of
16 America in the principal amount of Forty-Eight Million Five Hundred
17 Twenty-Two Thousand Dollars (\$48,522,000), bearing interest at the
18 rate of five percent (5%) per annum, and providing for the payment of
19 the indebtedness evidenced thereby within thirty-five (35) years after
20 the date thereof.

21 Section 3. The proceeds of the bonds authorized to be issued
22 pursuant to Section 2 of this Act shall be expended only for the expansion
23 and improvement of GTA's system.

24 Section 4. Subsection (a) of §7210, Title 12, Guam Code Annotated, is
25 repealed and reenacted to read:

26 "(a) Bonds shall bear interest at a rate not to exceed nine and
27 one half percent (9½%) per annum payable annually or semi-annually or
28 in part annually and in part semi-annually except that the first coupon
29 on any bonds may be payable twelve (12) months or any number of
30 months less than twelve (12) after the date of such bond; provided,
31 however, that the nine and one half percent (9½%) ceiling on the
32 interest rate shall not apply to bonds issued to evidence loans made or
33 guaranteed by the United States of America or any agency or
34 instrumentality thereof."

1 Section 5. §7206 of Title 12, Guam Code Annotated, is repealed and
2 reenacted to read:

3 "§7206. Maximum Amount, Purpose of and Term of
4 Bonds. Before issuing any bond or bonds, the Board, by indenture
5 approved by the Governor and the Legislature by statute, shall
6 declare the purpose for which the proceeds of the bonds proposed to
7 be issued shall be expended and shall specify the maximum amount of
8 bonds to be issued or sold for such purposes, and their maximum
9 term. Bonds shall not be issued or sold for such purpose in any
10 amount or for a term exceeding that specified."

11 Section 6. No later than December 31, 1990, GTA shall establish,
12 subject to the approval of the Public Utility Commission ("PUC"), standard
13 terms and conditions applicable to all agreements between GTA and
14 companies providing long distance telecommunication services between Guam
15 and overseas destinations. Such terms and conditions shall not be modified
16 without the approval of PUC. Any agreement between GTA and companies
17 providing telecommunication service between Guam and overseas destinations
18 shall be, by its terms, subject to unilateral modification of the standard
19 terms and conditions at any time by PUC in the same manner as rates and
20 tariffs are modified. Any agreement shall not be for a fixed term. GTA
21 may not impose on any provider of such long distance services any terms,
22 conditions, or charges not contained in its standard terms and conditions or
23 in its tariffs.

APR 10 '89

TWENTIETH GUAM LEGISLATURE
1989 (FIRST) Regular Session

Bill No. 558

Committee on Rules

Introduced by:

[Signature]
At the Request of the Governor

AN ACT TO INCREASE THE BONDED AND LONG TERM
INDEBTEDNESS OF THE GUAM TELEPHONE AUTHORITY AND
FOR OTHER PURPOSES.

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

2 Section 1. The Guam Telephone Authority may increase its
3 bonded and long term indebtedness from Sixty-One Million Three
4 Hundred Two Thousand Nine Hundred Fifty Dollars (\$61,302,950.00) to
5 One Hundred Twenty-Five Million Nine Hundred Seven Thousand Eight
6 Hundred Dollars (\$125,907,800.00).

7 Section 2. The Guam Telephone Authority may issue:

8 (a) A revenue bond payable to the order of the Rural
9 Telephone Bank, an instrumentality of the Government of the
10 United States of America, in the principal amount of Sixteen
11 Million Eighty-Two Thousand Eight Hundred Fifty Dollars
12 (\$16,082,850.00) of bearing interest at a rate to be
13 determined in accordance with the provisions of Section 408
14 (b) (3) of the Rural Electrification Act of 1936, as amended
15 (7 U.S.C. 948 (b) (3)), and the implementing regulations, as
16 amended from time to time (7 C.F.R. #1610.10), and providing
17 for the payment of the indebtedness evidenced thereby within
18 thirty-five (35) years after the date thereof, and

19 (b) A revenue bond payable to the order of the United
20 States of America in the principal amount of Forty-Eight
21 Million Five Hundred Twenty-Two Thousand Dollars

1 (\$48,522,000.00), bearing interest at the rate of five percent
2 (5%) per annum and providing for the payment of the
3 indebtedness evidenced thereby within thirty-five (35) years
4 after the date thereof.

5 Section 3. The proceeds of the bonds authorized to be issued
6 pursuant to Section 2 of this Act shall be expended only for the
7 expansion and improvement of the Guam Telephone Authority's system.

8 Section 4. Subsection (a) 12 GCA Section 7210 is repealed and
9 reenacted to read:

10 "(a) Bonds shall bear interest at the rate of not to
11 exceed nine and one half percent (9 1/2%) per annum payable
12 annually or semi-annually or in part annually and in part
13 semi-annually except that the first coupon on any bonds may be
14 payable twelve (12) months or any number of months less than
15 twelve (12) after the date of such bond, provided, however,
16 that the nine and one half percent (9 1/2%) ceiling on the
17 interest rate shall not apply to bonds issued to evidence
18 loans made or guaranteed by the United States of America or
19 any agency or instrumentality thereof."

20 Section 5. 12 GCA Section 7206 is repealed and reenacted to
21 read:

22 "Section 7206. Maximum Amount, Purpose of and Term of Bonds.

23 Before issuing any bond or bonds, the Board, by
24 indenture approved by the Governor and the Legislature by
25 statute shall declare the purpose for which the proceeds of
26 the bonds proposed to be issued shall be expended and shall

1 specify the maximum amount of bonds to be issued or sold for such
2 purposes, and their maximum term. Bonds shall not be issued or sold
3 for such purpose in any amount or for a term exceeding that
4 specified."

SENATOR DON PARKINS
20th GUAM LEGISLATURE
163 CHALAN SANTO PAPA STREET
AGANA, GUAM 96910

MAJORITY LEADER and CHAIRPERSON, COMMITTEE ON ENERGY, UTILITIES, AND CONSUMER PROTECTION

March 7, 1990

Honorable Joe T. San Agustin
Speaker, 20th Guam Legislature
163 Chalan Santo Papa
Agana, Guam 96910

Dear Mr. Speaker:

The Committee on Energy, Utilities and Consumer Protection and the Committee on Economic Development wish to report out their findings on **BILL NO. 558: AN ACT TO INCREASE THE BONDED AND LONG TERM INDEBTEDNESS OF THE GUAM TELEPHONE AUTHORITY AND FOR OTHER PURPOSES.**

Committee on Energy,
Utilites and Consumer
Protection

Committee on Economic
Development

TO PASS: -13-

TO PASS: -10-

NOT TO PASS: -0-

NOT TO PASS: -0-

ABSTENTIONS: -0-

ABSTENTIONS: -1- (Not Voting)

REPORT OUT ONLY: -0-

REPORT OUT ONLY: -0-

OFF-ISLAND: -0-

OFF-ISLAND: -0-

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

Sincerely,

Sincerely,

Senator Don Parkinson
Chairman, Committee on
Energy, Utilities and
Consumer Protection

Senator Eddie Reyes
Chairman, Committee on
Economic Development

**COMMITTEE ON ENERGY, UTILITIES AND
CONSUMER PROTECTION**

VOTING SHEET ON:

**BILL NO. 558: AN ACT TO INCREASE THE BONDED AND LONG TERM INDEBTEDNESS OF THE
GUAM TELEPHONE AUTHORITY AND FOR OTHER PURPOSES.**

<u>COMMITTEE MEMBERS:</u>	<u>INITIAL</u>	<u>TO PASS:</u>	<u>NOT TO PASS:</u>	<u>REPORT OUT:</u>
Sen. Don Parkinson	<i>D</i>	<i>✓</i>		
Sen. Herminia Dierking	<i>D</i>	<i>✓</i>		
Sen. George Bamba	<i>GB</i>	<i>✓</i>		
Sen. Madeleine Bordallo	<i>MB</i>	<i>✓</i>		
Sen. Doris Brooks	<i>DB</i>	<i>✓</i>		
Sen. Gordon Mailloux	<i>G</i>	<i>✓</i>		
Sen. Marilyn Manibusan	<i>Mdm</i>	<i>3/6/90</i>		
Sen. Ted Nelson		<i>✓</i>		
Sen. Franklin Quitugua	<i>FQ</i>	<i>✓</i>		
Sen. Martha Ruth	<i>Mruth</i>	<i>3/6/90</i>		
Sen. Frank Santos		<i>✓</i>		
Sen. Antonio Unpingco	<i>AU</i>	<i>✓</i>		
Spkr. Joe T. San Agustin	<i>JA</i>	<i>✓</i>		

COMMITTEE ON ECONOMIC DEVELOPMENT

VOTING SHEET ON:

BILL NO. 558: AN ACT TO INCREASE THE BONDED AND LONG TERM INDEBTEDNESS OF THE GUAM TELEPHONE AUTHORITY AND FOR OTHER PURPOSES.

<u>COMMITTEE MEMBERS:</u>	<u>INITIAL</u>	<u>TO PASS:</u>	<u>NOT TO PASS:</u>	<u>REPORT OUT:</u>
Sen. Eddie Reyes	<u>ER</u>	<u>✓</u>	<u>_____</u>	<u>_____</u>
Sen. Madeliene Bordallo	<u>MB</u>	<u>✓</u>	<u>_____</u>	<u>_____</u>
Sen. George Bamba	<u>GB</u>	<u>✓</u>	<u>_____</u>	<u>_____</u>
Sen. Pilar Lujan	<u>PL</u>	<u>✓</u>	<u>_____</u>	<u>_____</u>
Sen. John Aguon	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
Sen. Gordon Mailloux	<u>G</u>	<u>✓</u>	<u>_____</u>	<u>_____</u>
Sen. Marilyn Manibusan	<u>Mdm</u>	<u>✓ 3/6/90</u>	<u>_____</u>	<u>_____</u>
Sen. Ted Nelson	<u>TN</u>	<u>✓</u>	<u>_____</u>	<u>_____</u>
Sen. Herminia Dierking	<u>HD</u>	<u>✓</u>	<u>_____</u>	<u>_____</u>
Sen. Elizabeth Arriola	<u>EAr</u>	<u>✓</u>	<u>_____</u>	<u>_____</u>
Sen. Frank Santos	<u>FS</u>	<u>✓</u>	<u>_____</u>	<u>_____</u>

**REPORT OF THE COMMITTEE ON ENERGY,
UTILITIES AND CONSUMER PROTECTION WITH
THE COMMITTEE ON ECONOMIC DEVELOPMENT ON:**

**BILL NO. 558: AN ACT TO INCREASE THE BONDED
AND LONG TERM INDEBTEDNESS OF THE GUAM TELEPHONE
AUTHORITY AND FOR OTHER PURPOSES.**

PREFACE:

The Committee on Energy, Utilities and Consumer Protection with the Committee on Economic Development conducted a joint public hearing on Friday, February 23, 1990 at 10:30 a.m. in the Legislative Session Hall on BILL NO. 558: AN ACT TO INCREASE THE BONDED AND LONG TERM INDEBTEDNESS OF THE GUAM TELEPHONE AUTHORITY AND FOR OTHER PURPOSES. The Committee Members present were: Senator Don Parkinson, Chairman, CEUCP; Senator Eddie Reyes, Chairman, CED; Senator Doris Brooks, member; Senator Martha Ruth, member; Senator Elizabeth Arriola, member; Senator Franklin Quitugua, member and Senator Herminia Dierking, member.

Since there were no other person present to testify on Bill No. 558, the Guam Telephone Authority Administration was requested to appear before the Committee to testify and answer questions. Appearing before the Committees were: Mr. Jesus Manibusan, GTA General Manager; Mr. Eddie Cruz, Chairman, GTA Board of Directors; Mr. Don Tatman, GTA Controller, Mr. James Underwood, GTA Deputy General Manager and Mr. Jose Leon Guerrero, GTA Legal Counsel. Written testimony was submitted by Mr. Manibusan and Mr. Eddie Cruz. This testimony is labeled Exhibit "A". Mr. Manibusan stated that GTA supports the passage of Bill No. 558. He also stated that GTA's primary goal is to install a system that provides: 1) Quality; 2) Adequacy; and 3) Availability. In December of 1988 GTA converted its last of eight (8) central offices to a digital system. This final conversion contributed to eliminate delayed dial tones and connection to wrong numbers among other long standing problems. It introduced customers to quality telephone service in relation to clarity and speed.

Mr. Manibusan also stated that the passage of this bill will allow GTA to complete its fiber optic network which is designed to provide callers an alternate route in the event a major trunk cable is damaged. In order to complete the three goals of GTA service, the system must be made available on the demand of its consumers. Although, customer complaints have been reduced drastically, complaints regarding installation delays continue to increase. Guam's telephone infrastructure was not built to accommodate the current growth rate of our island, therefore GTA lines are not immediately available everywhere.

One factor involved in reaching the complete goal was obtaining the necessary resources to ensure that GTA fulfills its responsibility

to the public. GTA has received approval from the Rural Electrification Administration for an "E" Loan in the amount of \$64.6M to fund the system upgrades and other projects.

Mr. Manibusan continued by stating that since GTA was established as an autonomous agency of the Government of Guam in 1974, it has never increased its \$12.00 per month basic rate charge. There is no immediate plans to raise this rate in the next five years and this loan will not have any bearing on any possible decisions to raise rates.

Mr. Manibusan stated that should this bill be passed, the "E" Loan funds will be distributed for the following items: \$23.3M for central office equipment; \$28.9M M for Outside Plant; \$1.6M for fiber optic trunking; \$8.9M for Engineering support and inspection; and \$2.9M for land acquisitions and buildings.

Mr. Manibusan concluded by stating that the completion of Guam's telecommunication systems network will allow for innovation. The system was designed to accommodate expansion and additional capabilities made available through technology. Guam will be able to keep up with the trends, demands and changes within the telecommunications industry.

After the testimony, questions were addressed to GTA's Administration. Senator Reyes began by asking whether the \$64M was already approved by REA. Mr. Don Tatman, GTA Controller, stated that the REA Loan has already been approved'. However, the outstanding loan balance is under 56M which is still drawing funds from a "D" Loan. Senator Reyes then asked whether there are any current restrictions which REA is requiring upon GTA? Mr. Jose Leon Guerrero, Legal Counsel, said that the revenue stream for the REA Loan are pledge revenues. The restrictions which apply is that the General Manager and the Legal Counsel must be approved by REA. Mr. Leon Guerrero also stated that the REA can take over the management of the agency if the loan is defaulted. Other restrictions which apply is the approval of the employees for the agency. Mr. Manibusan added that the projects must also be approved by REA.

Senator Reyes then asked what the interest rate is for the REA Loan? Mr. Leon Guerrero stated that the interest rate is 5% and it is a fixed rate. Senator Reyes asked what is the debt service? Mr. Tatman stated that the debt service is \$4M/year for a \$120M Loan. Additionally, the net income in Fiscal Year 1989 was \$4M, however, the cash flow exceeds the net income.

Senator Arriola asked that since the REA Loan has been a plan for 3-4 years, then what other loans have been used to upgrade the system. Mr. Manibusan responded stating that they have received "C" and "D" Loans. Senator Arriola then asked how much is GTA encumbering? Mr. Tatman stated that in 1999 the total interest repayment will be \$7,900,000.

According to GTA, the bonds shall bear interest at the rate of not to exceed 9 1/2 % per annum payable annually or semi-annually . It would cost the government more than 5% in interest in order for GTA to receive the funds. The Loans have been preapproved by statute and the indebtedness is for a 35 year period.

Senator Parkinson stated that he supports GTA providing long distance service to its consumers. However, Mr. Underwood stated that GTA has made a committment not to get into the long distance service. Senator Parkinson then recommended that GTA write a tariff relative to long distance carrier using GTA's system. He suggested that this tariff include standard procedures and requirements for any long distance carrier to hook up to GTA's system.

Mr. Joaquin Santos, former General Manager for GTA, appeared before the Committees to testify as a private citizen on Bill 558. Mr. Santos stated that the evolution of the "E" Loan was created because of the requirements expressed by the community and by the Senators. Mr. Manibusan testified strongly in support for the passage of Bill 558.

COMMITTEE FINDINGS AND RECOMMENDATIONS:

The Committee on Energy, Utilities and Consumer Protection and the Committee on Economic find that while the telephone services provided by the Guam Telephone Authority have improved significantly, the unparalleled economic growth on Guam makes it necessary to undertake continuing expansion and major capital improvements to the telephone system. It is the testimony of the Management of GTA that raising the debt ceiling of GTA will not result in a rate increase. Therefore, the Committee on Energy, Utilities and Consumer Protection and the Committee on Economic recommends Bill No. 558 to be passed by the 20th Guam Legislature.

EXHIBITS:

- Exhibit "A" Written testimony by Mr. Jesus Manibusan, GTA General Manager and Mr. Eddie Cruz, Chairman, GTA Board.
- Exhibit "B" GTA's Board of Directors Resolution No. 89-8 and 89-11.
- Exhibit "C" Letter dated February 23, 1990 from Mr. Eddie Cruz, Chairman, GTA Board.

- Exhibit "D" Letter from Honorable Joseph F. Ada, dated
March 27, 1989.
- Exhibit "E" Financial Statements from Peat Marwick,
Certified Public Accountants.
- Exhibit "F" Fiscal Note from Mr. Michael Reidy, Director,
Bureau of Budget and Management Research.
- Exhibit "G" Witness Sign-In Sheet Displayed during the
public hearing.

TWENTIETH GUAM LEGISLATURE
1989 (FIRST) REGULAR SESSION

Bill No. 558
As Substituted by the Committee on
Energy, Utilities and Consumer Protection
and the Committee on Economic Development

Introduced By:

Committee on Rules
H. Dierking


At the Request of the Governor

AN ACT TO INCREASE THE BONDED AND LONG TERM INDEBTEDNESS OF
THE GUAM TELEPHONE AUTHORITY AND FOR OTHER PURPOSES.

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

Section 1. The Guam Telephone Authority may increase its bonded and long term indebtedness from Sixty-One Million Three Hundred Two Thousand Nine Hundred Fifty Dollars (\$61,302,950.00) to One Hundred Twenty-Five Million Nine Hundred Seven Thousand Eight Hundred Dollars (\$125,907,800.00).

Section 2. The Guam Telephone Authority may issue:

(a) A revenue bond payable to the order of the Rural Telephone Bank, an instrumentality of the Government of the United States of America, in the principal amount of Sixteen Million Eighty-Two Thousand Eight Hundred Fifty Dollars (\$16,082,850.00) of bearing interest at a rate to be determined in accordance with the provisions of Section 408 (b) (3) of the Rural Electrification Act of 1936, as amended (7 U.S.C. 948 (b) (3)), and the implementing regulations, as amended from time to

time (7 C.F.R. #1610.10), and providing for the payment of the indebtedness evidenced thereby within thirty-five (35) years after the date thereof, and

(b) A revenue bond payable to the order of the United States of America in the principal amount of Forty-Eight Million five Hundred Twenty-Two Thousand Dollars (\$48,522,000.00), bearing interest at the rate of five percent (5%) per annum and providing for the payment of the indebtedness evidenced thereby within thirty-five (35) years after the date thereof.

Section 3. The proceeds of the bonds authorized to be issued pursuant to Section 2 of this Act shall be expended only for the expansion and improvement of the Guam Telephone Authority's system.

Section 4. Subsection (a) 12 GCA Section 7210 is repealed and reenacted to read:

"(a) Bonds shall bear interest at the rate of not to exceed nine and one half percent (9 1/2 %) per annum payable annually or semi-annually or in part annually and in part semi-annually except that the first coupon on any bonds may be payable twelve (12) months or any number of months less than twelve (12) after the date of such bond, provided, however, that the nine and one half percent (9 1/2%) ceiling on the interest rate shall not apply to bonds issued to evidence loans made or guaranteed by the United States of America or any agency or instrumentality thereof."

Section 5. 12 GCA Section 7206 is repealed and reenacted to read:

"Section 7206. Maximum Amount, Purpose of and Term of Bonds.

Before issuing any bond or bonds, the Board, by indenture approved by the Governor and the Legislature by statute shall declare the purpose for which the proceeds of the bonds proposed to be issued shall be expended and shall specify the maximum amount of bonds to be issued or sold for such purposes, and their maximum term. Bonds shall not be issued or sold for such purpose in any amount or for a term exceeding that specified."

Section 6. No later than December 31, 1990, the Guam Telephone Authority (herein called GTA) shall establish, subject to the approval of the Public Utility Commission (herein called PUC), standard terms and conditions applicable to all agreements between GTA and companies providing long distance telecommunication services between the territory of Guam and overseas destinations. Such terms and conditions shall not be modified without the approval of PUC. Any agreement between GTA and companies providing telecommunication service between Guam and overseas destinations shall be, by its terms, subject to unilateral modification of the standard terms and conditions at any time by the PUC. Any agreement shall not be for a fixed term. GTA may not impose on any provider of such long distance services any terms, conditions, or charges not contained in its standard terms and conditions or in its tariffs.

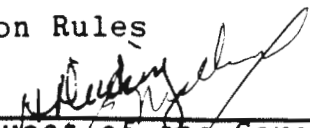
APR 10 '89

TWENTIETH GUAM LEGISLATURE
1989 (FIRST) Regular Session

Bill No. 558

Committee on Rules

Introduced by:


At the Request of the Governor

AN ACT TO INCREASE THE BONDED AND LONG TERM
INDEBTEDNESS OF THE GUAM TELEPHONE AUTHORITY AND
FOR OTHER PURPOSES.

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11 Million Eighty-Two Thousand Eight Hundred Fifty Dollars
12 (\$16,082,850.00) of bearing interest at a rate to be
13 determined in accordance with the provisions of Section 408
14 (b) (3) of the Rural Electrification Act of 1936, as amended
15 (7 U.S.C. 948 (b) (3)), and the implementing regulations, as
16 amended from time to time (7 C.F.R. #1610.10), and providing
17 for the payment of the indebtedness evidenced thereby within
18 thirty-five (35) years after the date thereof, and

19 (b) A revenue bond payable to the order of the United
20 States of America in the principal amount of Forty-Eight
21 Million Five Hundred Twenty-Two Thousand Dollars

1 (\$48,522,000.00), bearing interest at the rate of five percent
2 (5%) per annum and providing for the payment of the
3 indebtedness evidenced thereby within thirty-five (35) years
4 after the date thereof.

5 Section 3. The proceeds of the bonds authorized to be issued
6 pursuant to Section 2 of this Act shall be expended only for the
7 expansion and improvement of the Guam Telephone Authority's system.

8 Section 4. Subsection (a) 12 GCA Section 7210 is repealed and
9 reenacted to read:

10 "(a) Bonds shall bear interest at the rate of not to
11 exceed nine and one half percent (9 1/2%) per annum payable
12 annually or semi-annually or in part annually and in part
13 semi-annually except that the first coupon on any bonds may be
14 payable twelve (12) months or any number of months less than
15 twelve (12) after the date of such bond, provided, however,
16 that the nine and one half percent (9 1/2%) ceiling on the
17 interest rate shall not apply to bonds issued to evidence
18 loans made or guaranteed by the United States of America or
19 any agency or instrumentality thereof."

20 Section 5. 12 GCA Section 7206 is repealed and reenacted to
21 read:

22 "Section 7206. Maximum Amount, Purpose of and Term of Bonds.

23 Before issuing any bond or bonds, the Board, by
24 indenture approved by the Governor and the Legislature by
25 statute shall declare the purpose for which the proceeds of
26 the bonds proposed to be issued shall be expended and shall

1 specify the maximum amount of bonds to be issued or sold for such
2 purposes, and their maximum term. Bonds shall not be issued or sold
3 for such purpose in any amount or for a term exceeding that
4 specified."



GUAM TELEPHONE AUTHORITY

POST OFFICE BOX 9008 • TAMUNING, GUAM 96911 • TEL. 646-1427 • FAX 646-8249

GUAM TELEPHONE AUTHORITY'S TESTIMONY ON BILL 558

I am here to testify in favor of Bill 558 to increase the Guam Telephone Authority's debt ceiling to \$126M. The passage of this bill will enable GTA to satisfy one primary goal demanded by our customers. I would like to take a moment to briefly define this goal and the factors surrounding it.

Three years ago, GTA was heavily criticized for not providing a telecommunication system that worked. In less than two years GTA took its first running step in satisfying the public's demand.

Our primary goal is to install a system that provides three services:

1. Quality;
2. Adequacy; and,
3. Availability

In December 1988 GTA converted its last of eight (8) central offices to a digital system. This final conversion contributed to eliminating delayed dial tones and connection to wrong numbers among other long standing problems. It introduced customers to quality telephone service in relation to clarity and speed. However, this did not solve everything.

Exhibit "A"

In addition to providing quality, GTA was mandated to provide adequacy. The existing system remains vulnerable to major outages which result from cable cuts.

The passage of this bill will allow GTA to complete its fiber optic network which was designed to provide callers an alternate route in the event a major trunk cable is damaged. This alternate route (for telephone calls) is an example of how adequate Guam's system can be once completed.

To complete the service, GTA must have this system available on demand. Although many of our customer complaints have drastically reduced, complaints regarding installation delays continue to steadily increase. Guam's telephone infrastructure was not built to accommodate the current growth rate of our island; therefore, GTA lines are not immediately available everywhere. The need to research, trench and install lines can leave customers waiting months before their telephones are installed. Although the passage of this bill will not make lines appear overnight, it will allow GTA to implement the plans to begin resolving this issue.

One factor involved in reaching the complete goal was obtaining the necessary resources to ensure that GTA fulfills its responsibility to the public. GTA has received approval from the Rural Electrification Administration for an "E" Loan in the amount of \$64.6M to fund the system upgrades among other projects.

The passage of this bill would allow us to utilize these funds.

Since GTA was established as an autonomous agency of the Government of Guam in 1974, it has never increased its \$12.00 per month basic rate charge. We have no immediate plans to raise this rate in the next five years and this loan will not have any bearing on any possible decisions to raise rates.

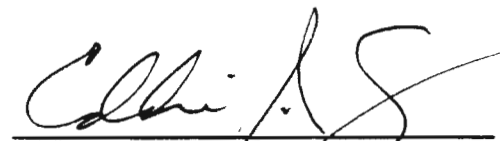
Should you approve the passage of this bill, "E" Loan funds will be distributed for the following items: \$23.3M for central office equipment; \$28.9M for Outside Plant; \$1.6M for fiber optic trunking; \$8.9M for Engineering support and inspection; and \$2.9M for land acquisitions and buildings.

In conclusion, the completion of Guam's telecommunication systems network will allow for innovation. The system was designed to accommodate expansion and additional capabilities made available through technology. Guam will be able to keep up with the trends, demands and changes within the telecommunications industry. With this, Guam can be an active participant in the Age of Information for the Pacific Basin.

Thank you for your time and attention.



JESUS A. MANIBUSAN P.E.
GENERAL MANAGER



EDDIE J. CRUZ
CHAIRMAN

GTA

Guam Telephone Authority

Post Office Box 9008, Tamuning, Guam 96911-3008 - Telephone: 646-8607

BOARD OF DIRECTORS

RESOLUTION NO. 89-8

**RELATIVE TO INCREASING THE GUAM TELEPHONE AUTHORITY'S
BONDED AND LONG TERM INDEBTEDNESS TO
ONE HUNDRED TWENTY FIVE MILLION NINE HUNDRED
SEVEN THOUSAND EIGHT HUNDRED DOLLARS (\$125,907,800)**

WHEREAS, the Guam Telephone Authority was established in order to provide the people of Guam with the best communication system possible; and

WHEREAS, the Guam Telephone Authority, in order to fulfill its statutory mission, requires long-term capital funds; and

WHEREAS, the Guam Telephone Authority requires that additional funds be obtained from the Rural Electrification Administration in order to continue improvements to the system and to permit it to keep up with developments planned and in progress; and

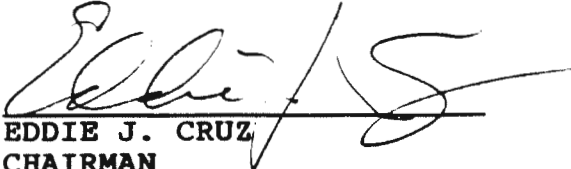
WHEREAS, by letter dated September 23, 1989, the Guam Telephone Authority was advised that a loan in the amount of Forty Eight Million Five Hundred Twenty Two Thousand Dollars (\$48,522,000) from the Rural Electrification and Telephone Revolving fund at an interest rate of five percent (5%) per annum and a loan in the amount of Sixteen Million Eighty Two Thousand Eight Hundred Fifty Dollars (\$16,082,850) from the Rural Telephone Bank at an interest rate to be determined in accordance with the provisions of Section 408 (b) (3) of the Rural Electrification Administration Act of 1936, as amended 7 U.S.C. 948 (b) (3) and the implementing regulations, as amended from time to time (7 C.F.R. #1610.10), had been approved; and

WHEREAS, the maximum amount of indebtedness presently authorized is Sixty One Million Three Hundred Two Thousand Nine Hundred Fifty Dollars (\$61,302,950); now therefore be it

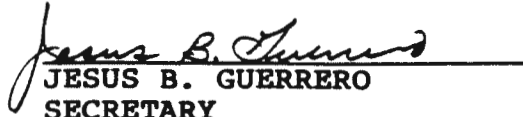
Exhibit "B"

RESOLVED, that the Board of Directors authorizes an increase in the Guam Telephone Authority's maximum indebtedness ceiling to One Hundred Twenty Five Million Nine Hundred Seven Thousand Eight Hundred Dollars (\$125,907,800).

DULY AND REGULARLY ADOPTED THIS 8TH DAY OF FEBRUARY, 1989.



EDDIE J. CRUZ
CHAIRMAN
BOARD OF DIRECTORS



JESUS B. GUERRERO
SECRETARY
BOARD OF DIRECTORS

GTA

Guam Telephone Authority

Post Office Box 9008, Tamuning, Guam 96911-3008 - Telephone: 646-8607
BOARD OF DIRECTORS

RESOLUTION NO. 89-11

RELATIVE TO AUTHORIZING THE GUAM TELEPHONE AUTHORITY TO ISSUE BONDS TO EXPAND AND IMPROVE GUAM'S TELEPHONE SYSTEM

WHEREAS, by letter dated September 23, 1988, the Guam Telephone Authority was advised that a loan in the amount of Forty Eight Million Five Hundred Twenty Two Thousand dollars (\$48,522,000) from the Rural Electrification and Telephone Revolving Fund and a loan in the amount of Sixteen Million Eighty Two Thousand Eight Hundred Fifty dollars (\$16,082,850) from the Rural Telephone Bank had been approved; and

WHEREAS, 12 GCA Section 7206 requires that before any bonds are issued to evidence such indebtedness, the Board of Directors must adopt a resolution declaring the purposes for which the proceeds of the bonds proposed to be issued shall be expended and specifying the maximum amount of bonds to be issued or sold for such purposes and their maximum term; now therefore be it

RESOLVED, that the Guam Telephone Authority is authorized to issue

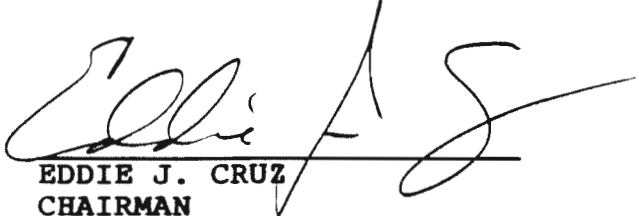
(a) a revenue bond payable to the order of Rural Telephone Bank in the principal amount of Sixteen Million Eighty Two Thousand Eight Hundred Fifty dollars (\$16,082,850), bearing interest at a rate to be determined in accordance with the provisions of Section 408 (b) (3) of the Rural Electrification Act of 1936, as amended (7 U.S.C. 948 (b) (3) and the implementing regulations as amended from time to time (7 C.F.R. #1610.10), and providing for the payment of the indebtedness evidenced thereby within thirty-five (35) years after the date thereof; and

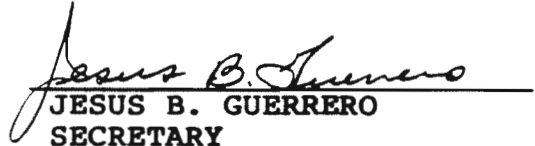
(b) a revenue bond payable to the order of the United States of America in the principal amount of Forty Eight Million Five Hundred Twenty Two Thousand Dollars (\$48,522,000.00), bearing interest at a rate of five percent (5%) per annum and providing for the payment of the indebtedness evidenced thereby within thirty-five (35) years after the date thereof; and be it further

RESOLVED, that the proceeds fo the bonds authorized to be issued herein shall be expended only for the expansion and improvement of the Guam Telephone Authority's telephone system: and be it further

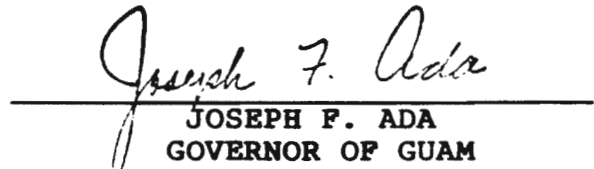
RESOLVED, that the Chairman certify to and the Board Secretary attest the adoption hereof and that copies of the same be thereafter transmitted to the Governor of Guam for his approval pursuant to 12 GCA Section 7206; to the Administrator of the Rural Electrification Administration; and to the Speaker of the Guam Legislature

DULY AND REGULARLY ADOPTED THIS 22ND DAY OF MARCH, 1989.


EDDIE J. CRUZ
CHAIRMAN
BOARD OF DIRECTORS


JESUS B. GUERRERO
SECRETARY
BOARD OF DIRECTORS

APPROVED PURSUANT TO 12 GCA SECTION 7206.


JOSEPH F. ADA
GOVERNOR OF GUAM
MAR 27 1989

ATTEST:


FRANK F. BLAS
LIEUTENANT GOVERNOR OF GUAM

GTA

Guam Telephone Authority

Post Office Box 9008, Tamuning, Guam 96911-3008 · Telephone: 646-8607

February 23, 1990

Senator Don Parkinson
Chairman, Committee on Energy, Utilities
and Consumer Protection
Twentieth Guam Legislature
#163 Chalan Santo Papa
Agana, Guam 96910

Dear Senator Parkinson:

In reply to your letter dated April 24, 1989, the following responses are provided for Items M and N.

M. REQUEST: A written statement from the Board of Directors of GTA on any proposed, planned, or contemplated rate increases over the next five (5) years and the reasons therefore.

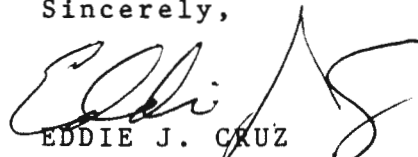
RESPONSE: There are currently no definite plans for proposed rate increases over the next (5) years. It is inevitable that increases must occur to offset rising costs of labor, material and freight. The Authority has not increased rates. The current rate has existed since GTA was established as an autonomous agency of the Government of Guam and had its Local Telephone Exchange Tariff approved and adopted in 1974.

N. REQUEST: A written statement from the Board of Directors and from Management as to what effect (if any) additional borrowing will have on rates over the next five (5) years.

RESPONSE: Based on projections prepared by GTA's Controller the proposed borrowing on the REA E Loan will not cause an increase in the telephone rates over the next five (5) years. Other factors such as labor costs, material costs, freight rates, etc. may affect the rates as they occur.

If you should have questions or comments regarding the above responses, please do not hesitate to give me or the General Manager a call. Thank you for your attention to this matter.

Sincerely,



EDDIE J. CRUZ
Chairman,
Board of Directors

cc: General Manager

Exhibit "C"



*Territory of Guam
Federated States*

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

MAR 27 1989

RECEIPT ACKNOWLEDGED

By [Signature]
(Signature)

San Agustin
(Print Name)

Speaker's Office
(Department)

Date 3/27/89 Time 5:26 P.M.

The Honorable Joe T. San Agustin
Speaker, Twentieth Guam Legislature
163 Chalan Santo Papa
Agana, Guam 96910

Dear Mr. Speaker:

Enclosed for the consideration of the Twentieth Guam Legislature is An Act to Increase the Bonded and Long-Term Indebtedness of the Guam Telephone Authority and for Other Purposes.

For many many years there has existed a challenge to Guam's leadership to provide reliable, affordable and quality telephone service to our island consumers. As I stated in my State of the Territory Address, phones on Guam work far better than they used to. Naturally, there are still challenges before us. Foremost among these is to reduce the reponse time for installation and service calls, and to insure that improved services that we have been the beneficiary of over the past two years continues unabated. We must settle for nothing less than a continually improving system that offers the best phone service for our deserving public.

The Guam Telephone Authority has already initiated a fiber optic conversion to provide our island residents and business community with a modern telecommunication system. The Guam Telephone Authority is currently expediting the construction of an island-wide fiber optic trunking system that will connect Northern and Southern villages within a continuous system. No longer will island residents have to bare the inconvenience of having an unreliable phone system, whether they are attempting to call from Agana to Sinajana or from Yigo to Merizo.

Fortunately, through the technological use of fiber optics, a single break in the telephone cable system will no longer shutdown services within a given district. Instead, alternative route capacities will insure continuous telephone services to all our island residents. Phase I of GTA's fiber

Exhibit "D"

The Honorable Speaker Joe T. San Agustin
page 2

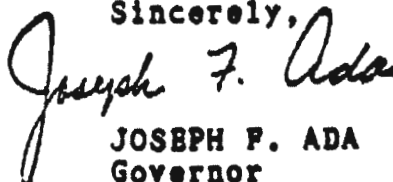
optic trunking connections for the villages of Yigo, Dededo, Tumon, Agana and Agat has already been completed, with connections for Merizo and Talofofo presently under construction. Phase II for Agana, Talofofo, Mangilao and Yigo will commence in the near future. However, under current projections, the Guam Telephone Authority estimates a two-thirds growth in demand within the next five years. In addition to these projects, plans for the construction and maintenance of exchange stations and the future expansion of our fiber optic telecommunication services must be anticipated to serve these growing consumer demands in the years ahead.

I am confident that you share the same desire to provide the people of Guam with the most modern, affordable, readily available and reliable telephone system in the Pacific. This measure will provide the much needed funding to address our present needs as well as prepare Guam's telecommunications system for the demands of the 21st century.

Enclosed is a copy of the Guam Telephone Authority Board of Directors Resolution No. 89-8, "Relative to Increasing the Guam Telephone Authority's Bonded and Long Term Indebtedness to One Hundred Twenty Five Million Nine Hundred Seven Thousand Eight Hundred Dollars," and Resolution No. 89-11, "Relative to Authorizing the Guam Telephone Authority to Issue Bonds to Expand and Improve Guam's Telephone System." I concur with the decision of GTA's Board of Directors and support the intentions of their resolutions.

In consideration to the important nature of this bill, the expeditious action of the Guam Legislature will be greatly appreciated.

Sincerely,


JOSEPH F. ADA
Governor



Certified Public Accountants

GUAM TELEPHONE AUTHORITY
(A Public Corporation)

Financial Statements

September 30, 1989 and 1988

(With Independent Auditors' Report Thereon)

Exhibit "E"

GUAM TELEPHONE AUTHORITY
(A Public Corporation)

Table of Contents

Years Ended September 30, 1989 and 1988

- I. Financial Statements:
 - Independent Auditors' Report
 - Financial Statements
 - Schedule of Federal Financial Assistance
- II. Independent Auditors' Report on Compliance
- III. Independent Auditors' Report on Internal Control

I. FINANCIAL STATEMENTS

Certified Public Accountants

Guam International Trade Center
590 South Marine Drive, Suite 619
Tarruning, Guam M.I. 96911
Telephone 671 646 6987
Telecopier 671 646 6774

Caller Box PPP 543
Saipan, MP 96950
Telephone 670 322 0860
Telecopier 670 322 0862

Independent Auditors' Report

The Board of Directors
Guam Telephone Authority:

We have audited the balance sheets of Guam Telephone Authority (a public corporation) as of September 30, 1989 and 1988 and the related statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. Furthermore, our audit of the financial statements as of and for the years ended September 30, 1989 and 1988 were made in accordance with the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities and Functions, issued by the U.S. General Accounting Office; the Single Audit Act of 1984; and the provisions of the Office of Management and Budget Circular A-128, Audits of State and Local Governments.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Guam Telephone Authority at September 30, 1989 and 1988 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of federal financial assistance for the year ended September 30, 1989 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

KPMG Peat Marwick

January 9, 1990

GUAM TELEPHONE AUTHORITY
(A Public Corporation)

Balance Sheets

September 30, 1989 and 1988

<u>Assets</u>	<u>1989</u>	<u>1988</u>
Current assets:		
Cash - construction funds	\$ 155,062	504,350
Cash - general funds	<u>1,636,994</u>	<u>1,086,321</u>
	1,792,056	1,590,671
Telecommunications accounts receivable (less accumulated provision of \$224,904 in 1989 and \$179,725 in 1988)	876,742	782,370
Materials and supplies	2,202,164	1,531,053
Temporary cash investments	-	495,490
Prepayments	50,906	46,650
Due from Government of Guam (note 6)	<u>1,653,593</u>	<u>-</u>
Total current assets	6,575,461	4,446,234
Noncurrent assets:		
Installment receivable	663,562	-
Rural Telephone Bank stock	<u>334,912</u>	<u>199,527</u>
	998,474	199,527
Property, plant and equipment (notes 1 and 3):		
Telecommunications plant in service	81,373,925	67,207,472
Telecommunications plant under construction	<u>12,363,532</u>	<u>16,909,255</u>
	93,737,457	84,116,727
Less accumulated provision for depreciation	<u>19,037,401</u>	<u>15,398,085</u>
	<u>74,700,056</u>	<u>68,718,642</u>
	<u>\$ 82,273,991</u>	<u>73,364,403</u>

(Continued)

See accompanying notes to financial statements.

GUAM TELEPHONE AUTHORITY
(A Public Corporation)

Balance Sheets, Continued

September 30, 1989 and 1988

<u>Liabilities and Capitalization</u>	<u>1989</u>	<u>1988</u>
Current liabilities:		
Accounts payable	\$ 3,948,179	3,570,648
Accrued payroll and employee benefits	3,154,402	1,956,777
Accrued interest	675,366	652,000
Customers' deposits and advance billings	513,756	432,391
Current maturities of long-term debt (note 4)	943,000	895,000
Other current liabilities	<u>113,241</u>	<u>239,103</u>
	<u>9,347,944</u>	<u>7,745,919</u>
Long-term debt, less current maturities (note 4):		
REA mortgage notes	44,673,481	44,256,975
RTB mortgage notes	3,486,972	3,526,950
RTFC mortgage notes	<u>5,000,000</u>	<u>2,650,000</u>
	<u>53,160,453</u>	<u>50,433,925</u>
Retirement fund deferred contributions (notes 5 and 6)	<u>3,883,832</u>	<u>3,240,484</u>
Capitalization:		
Contributions from Government of Guam (note 2)	13,557,529	13,570,839
Retained earnings (deficit)	<u>2,324,233</u>	<u>(1,626,764)</u>
	<u>15,881,762</u>	<u>11,944,075</u>
Commitments (note 7)		
	<u>\$ 82,273,991</u>	<u>73,364,403</u>

See accompanying notes to financial statements.

GUAM TELEPHONE AUTHORITY
(A Public Corporation)

Statements of Earnings and Retained Earnings

Years ended September 30, 1989 and 1988

	<u>1989</u>	<u>1988</u>
Operating revenues (note 1):		
Basic local network services	\$ 11,583,310	10,057,329
Long distance network service	10,420,793	7,271,614
Miscellaneous	377,923	216,526
Less: uncollectible revenues	<u>(82,890)</u>	<u>(63,105)</u>
	22,299,136	17,482,364
Operating expenses (note 6):		
Plant specific operations	6,460,697	7,234,570
Plant nonspecific operations	1,578,405	781,272
Depreciation	4,352,087	2,674,025
Customer operations	1,665,508	1,453,911
Corporate operations	<u>1,739,086</u>	<u>2,509,410</u>
	<u>15,795,783</u>	<u>14,653,188</u>
Operating income	<u>6,503,353</u>	<u>2,829,176</u>
Fixed charges (notes 1 and 4):		
Interest on long-term debt	3,145,406	2,488,365
Other interest	422,056	153,971
Interest charged to construction-credit	<u>(801,789)</u>	<u>(697,655)</u>
	<u>2,765,673</u>	<u>1,944,681</u>
Non-operating income (expenses):		
Dividend, interest income and other	213,317	263,798
Loss on sales of investments	<u>-</u>	<u>(773,379)</u>
	<u>213,317</u>	<u>(509,581)</u>
Net earnings	3,950,997	374,914
Retained deficit at beginning of year	<u>(1,626,764)</u>	<u>(2,001,678)</u>
Retained earnings (deficit) at end of year	\$ <u>2,324,233</u>	<u>(1,626,764)</u>

See accompanying notes to financial statements.

GUAM TELEPHONE AUTHORITY
(A Public Corporation)

Statements of Cash Flows

Years ended September 30, 1989 and 1988

	<u>1989</u>	<u>1988</u>
Cash flows from operating activities:		
Net income	\$ 3,950,997	374,914
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on sale of investments	-	773,379
Provision for uncollectible revenue	45,179	63,105
Provision for losses on materials and supplies	24,000	24,000
Depreciation	4,352,087	2,674,025
Increase in retirement fund deferred contributions	643,348	508,275
(Increase) in telecomm. accounts receivable	(139,551)	(40,065)
(Increase) in materials and supplies	(695,111)	(1,196,378)
(Increase) in prepayments	(4,256)	(35,696)
(Increase) in due from Government of Guam	(1,653,593)	-
(Increase) in installment receivable	(663,562)	-
Increase in accounts payable	377,531	1,235,242
Increase in accrued payroll and employee benefits	1,197,625	1,148,376
Increase in accrued interest	23,366	112,000
Increase in customers' deposits and advance billings	81,365	52,895
Increase in current maturities of long-term debt	48,000	215,000
(Decrease) increase in other current liabilities	<u>(125,862)</u>	<u>152,273</u>
Net cash provided by operating activities	<u>7,461,563</u>	<u>6,061,345</u>
Cash flows from investing activities:		
Proceeds from sale of short-term investments	495,490	5,917,004
Purchase of short-term investment	(135,385)	(2,753,534)
Additions to telecommunications plant	<u>(10,333,501)</u>	<u>(17,887,560)</u>
Net cash used in investing activities	<u>(9,973,396)</u>	<u>(14,724,090)</u>
Cash flows from financing activities:		
Proceeds from borrowing of long-term debt	3,679,191	10,484,000
Payments and current portion of long-term debt	(952,663)	(895,981)
Return contribution to Government of Guam	<u>(13,310)</u>	<u>-</u>
Net cash provided by financing activities	<u>2,713,218</u>	<u>9,588,019</u>
Net increase in cash	201,385	925,274
Cash on hand at beginning of year	<u>1,590,671</u>	<u>665,397</u>
Cash on hand at end of the year	\$ <u>1,792,056</u>	<u>1,590,671</u>
Cash payments of interest (net of amount capitalized)	\$ <u>2,354,141</u>	<u>1,650,666</u>

See accompanying notes to financial statements.

GUAM TELEPHONE AUTHORITY
(A Public Corporation)

Notes to Financial Statements

September 30, 1989 and 1988

(1) Organization and Summary of Significant Accounting Policies

General

Guam Telephone Authority (Authority) was created by Public Law 12-44, pursuant to which the assets and liabilities of the telephone division of the Public Utility Agency of Guam (PUAG) were transferred to the Authority effective April 1, 1974.

The Authority follows accounting policies prescribed or authorized by the Federal Communication Commission of the United States of America, as provided for in the indenture agreement with the United States Rural Electrification Administration (REA), Rural Telephone Bank (RTB), and a revolving line of credit agreement with the Rural Telephone Finance Cooperative (RTFC).

Property, Plant and Equipment

Property, plant and equipment is stated at cost. Cost includes an allocation of overhead, including administrative expenses. The Authority capitalizes estimated costs, during periods of construction of more than one year, of debt funds used for construction. The cost of plant retired or otherwise disposed of, net of sales proceeds, plus removal cost, is charged to accumulated depreciation.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Operating Revenues

Operating revenues consist primarily of subscriptions and other local charges and the Authority's share of overseas message tolls.

Rural Telephone Bank Stock

The purchase of stock in RTB is required by the loan agreement between the Authority and RTB. Such stock is carried at cost.

Reclasifications

Certain amounts in the 1988 financial statements have been reclassified to conform to the 1989 presentation.

(2) Contributions From Government of Guam

Contributions from Government of Guam represent primarily the assets and liabilities transferred from PUAG (see note 1).

GUAM TELEPHONE AUTHORITY
(A Public Corporation)

Notes to Financial Statements, Continued

(3) Telecommunications Plant in Service

Listed below are the major classes of the telecommunications plant in service as of September 30, 1989 and 1988:

	<u>1989</u>	<u>1988</u>
Poles, cables and wire	\$ 36,581,675	31,551,219
Central office equipment	21,178,266	13,057,035
Customer premise equipment	10,629,743	9,982,385
Buildings	7,748,053	7,562,063
Motor vehicles	1,950,805	1,756,521
Furniture and office equipment	1,978,579	1,778,605
Other equipment	726,380	939,220
Land	<u>580,424</u>	<u>580,424</u>
	<u>\$ 81,373,925</u>	<u>67,207,472</u>

The provision for depreciation as a percentage of the average balance of telephone plant in service was 5.90% in 1989 and 4.18% in 1988. Individual plant depreciable rates are as follows:

	<u>1989</u>	<u>1988</u>
Poles, cables and wire	2%-4%	4%
Central office equipment	5%-8%	5%
Customer premise equipment	10%-12.5%	5%
Buildings	3%	3%
Motor vehicles	20%	20%
Furniture and office equipment	10%-12.5%	10%
Other equipment	20%	20%

(4) Long-Term Debt

Long-term debt at September 30, 1989 and 1988 is summarized as follows:

	<u>1989</u>	<u>1988</u>
Due to REA at 5% per annum:		
May 2011, payable in semiannual installments of \$162,000, including interest	\$ 4,306,434	4,412,240
May 2011, payable in semiannual installments of \$526,000, including interest	13,934,897	14,279,115
April 2012, the amount drawn through March 31, 1980, \$1,766,000, is payable in semiannual installments of \$56,000, including interest; the amount drawn subsequent to that date, \$3,683,000, is payable in semiannual installments of \$120,000, including interest	4,725,310	4,838,205

GUAM TELEPHONE AUTHORITY
(A Public Corporation)

Notes to Financial Statements, Continued

	<u>1989</u>	<u>1988</u>
April 2017, payable in seminannual installments of \$288,000, including interest; the amount drawn subsequent to September 17, 1984, \$621,996, is payable in semiannual installments of \$20,000, including interest	9,072,087	9,229,361
October 2020, payable in semiannual installments of \$390,000, including interest; the amount drawn subsequent to October 17, 1988, \$1,329,191, is payable in semi-annual installments of \$44,000, including interest	<u>13,556,753</u>	<u>12,393,054</u>
	45,595,481	45,151,975
Due to RTB at 9.5% per annum - October 2020, payable in semiannual installments of \$177,000, including interest	3,507,972	3,526,950
Due to RTFC at 1.5% above prevailing bank prime rate (9.75% at September 30, 1989). Total credit line available of \$5,000,000, due August 20, 1993	<u>5,000,000</u>	<u>2,650,000</u>
	54,103,453	51,328,925
Less: current maturities of long-term debt	<u>943,000</u>	<u>895,000</u>
	<u>\$ 53,160,453</u>	<u>50,433,925</u>

The aggregate annual principal payments for the five years subsequent to September 30, 1989 are shown as follows:

1990	943,000
1991	994,000
1992	1,065,000
1993	6,120,000
1994	1,177,000

The telephone loan indenture agreement dated October 4, 1985 authorizes borrowings from REA and RTB of \$20,570,000 and \$3,526,950, respectively, to finance the expansion and renovation of the existing telephone system. As of September 30, 1989, \$13,722,245 and \$3,526,950, respectively, have been drawn down on these bonds. The principal and interest of the bonds shall be payable solely from the revenues, other moneys, securities and funds of the Authority as provided in the bond indenture. These bonds do not constitute a general indebtedness of the Authority or the Territory of Guam.

On September 23, 1988, REA and RTB approved loans of \$48,522,000 and \$16,082,850, respectively, to expand the new fiber optic trunking system and to install digital switches and remote switch terminals at various locations. No funds had been drawn as of September 30, 1989, as the Territory of Guam Legislature must first approve an increase in the Authority's debt ceiling from \$61,000,000 to \$114,000,000. In accordance with the terms of the REA

GUAM TELEPHONE AUTHORITY
(A Public Corporation)

Schedule of Federal Financial Assistance

Year ended September 30, 1989

Federal grantor/ program title/ project designation	Catalog of Federal assistance number	Account number	Project amount	Balance at Beginning of year	Advances	Repayments	Balance at end of year
Department of Agriculture, Rural Electrification Administration (REA):							
Rural Telephone loans:							
	10.851						
Guam 501-A8, Tamuning		12010	\$ 5,285,000	4,412,240	-	105,806	4,306,434
Guam 501-A8, Tamuning		12020	16,498,000	14,085,557	-	339,573	13,745,984
Guam 501-A8, Tamuning		12021	217,000	193,558	-	4,645	188,913
Guam 501-B8, Tamuning		12030	1,766,000	1,516,197	-	35,922	1,480,275
Guam 501-B8, Tamuning		12031	3,683,000	3,322,007	-	76,972	3,245,035
Guam 501-C8, Tamuning		12040	9,135,004	8,617,206	-	146,847	8,470,359
Guam 501-C8, Tamuning		12041	621,996	612,155	-	10,427	601,728
Guam 501-D4, Tamuning		12050 & 17051	<u>20,570,000</u>	<u>12,393,055</u>	<u>1,329,191</u>	<u>165,493</u>	<u>13,556,753</u>
			57,776,000	45,151,975	1,329,191	885,685	45,595,481
Rural Telephone Bank loan - Guam 501-D7, Tamuning	10.852	R010	<u>3,526,950</u>	<u>3,526,950</u>	-	<u>18,978</u>	<u>3,507,972</u>
			<u>\$ 61,302,950</u>	<u>48,678,925</u>	<u>1,329,191</u>	<u>904,663</u>	<u>49,103,453</u>

GUAM TELEPHONE AUTHORITY
(A Public Corporation)

Notes to Financial Statements, Continued

loan approval agreement, the initial drawdowns must be applied by the Authority to pay off the RTFC loan of \$5,000,000 in its entirety.

(5) Employees' Retirement Plan

The Authority is included in the Government of Guam Employees' Retirement System, a defined benefit, contributory pension plan which covers substantially all employees of the Government of Guam and which is administered by the Government of Guam Retirement Fund.

The retirement contributions for the years ended September 30, 1989 and 1988 were approximately \$1,774,000 and \$1,457,000, respectively, which includes amortization of prior service cost over periods of 14 and 40 years. The amounts in 1989 and 1988 include cash contributions at the statutory rate plus accruals of \$447,649 and \$373,482, respectively, for the excess of the required employer contribution rate over the statutory rate determined by the actuarial valuation performed as of September 30, 1985. The Authority has also accrued 7% interest on the deferred contribution balance. Interest accrued for 1989 and 1988 was \$195,699 and \$134,793, respectively.

Data concerning the actuarial present value of accumulated plan benefits and net assets available for benefits which are relevant to the Authority are not available since such determinations are not made for individual participating agencies of the Government of Guam.

(6) Option 1 Salaries

In accordance with Public Law 20-65 (enacted during fiscal year 1989), the Authority is required to make payments for certain Option 1 salaries covering the period from August 24, 1986 to September 30, 1987. Public Law 20-65 appropriated \$29 million to fund the Option 1 salaries. Consequently, the Authority accrued \$1,794,035 in salaries and \$216,822 in related retirement contributions totalling \$2,010,857 in the current year. On November 3, 1989, the Authority received \$1,653,593 from the Government of Guam for Option 1 salaries reimbursement; which amount is reflected as "Due from the Government of Guam" at September 30, 1989 and was utilized to offset a portion of the above-mentioned \$2,010,857 accrual. The Authority filed for reimbursement from the Government of Guam for the \$357,264 remainder in the event that additional money is appropriated. The reimbursement, if any, will be reported in the financial statements in the year of appropriation.

(7) Lease Commitments

The Authority is obligated under certain noncancelable operating leases. Future obligations under such leases are not significant. Total rental expense for operating leases in 1989 and 1988 was \$457,000 and \$478,000, respectively.

II. INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

KPMG Peat Marwick

Certified Public Accountants

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Saipan, MP 96950
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The Board of Directors
Guam Telephone Authority:

We have audited the financial statements of Guam Telephone Authority (a public corporation) (Authority) as of September 30, 1989, and have issued our report thereon dated January 9, 1990. Our audit was made in accordance with generally accepted auditing standards; the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities and Functions; issued by the U. S. General Accounting Office; the Single Audit Act of 1984; and the provisions of the Office of Management and Budget Circular A-128, Audits of State and Local Governments.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The management of the Authority is responsible for the Authority's compliance with laws and regulations. In connection with the examination referred to above, we selected and tested transactions and records related to the Rural Electrification Administration (REA) and Rural Telephone Bank (RTB) loans, the Authority's federal financial assistance programs. The purpose of our testing of transactions and records was to obtain reasonable assurance that the Authority had, in all material respects, administered its federal financial assistance programs and executed the tested transactions in compliance with those laws and regulations for which noncompliance could have a material effect on the allowability of program expenditures or the Authority's financial statements. Such laws and regulations include those pertaining to federal financial reports and claims for advances.

In our opinion, for the year ended September 30, 1989, the Authority administered each of its two federal financial assistance programs in compliance, in all material respects, with those laws and regulations for which noncompliance could have a material effect on the allowability of program expenditures.

Further, the results of our testing of transactions and records referred to in the third paragraph of this report indicated that for the transactions and records tested, the Authority complied with those laws and regulations for which noncompliance could have a material effect on the allowability of program expenditures or on the Authority's financial statements. With respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the Authority had not complied with the laws and regulations.

KPMG Peat Marwick

January 9, 1990

III. INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

KPMG Peat Marwick

Certified Public Accountants

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590 South Marine Drive, Suite 619
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The Board of Directors
Guam Telephone Authority:

We have audited the financial statements of Guam Telephone Authority (a public corporation) (Authority) as of September 30, 1989 and have issued our report thereon dated January 9, 1990. As part of our audit, we made a study and evaluation of the internal accounting and administrative controls described below to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards; the standards for financial and compliance audits contained in Standards for Audit of Governmental Organizations, Programs, Activities and Functions, issued by the U. S. General Accounting Office; the Single Audit Act of 1984; and the provisions of the Office of Management and Budget Circular A-128, Audits of State and Local Governments.

The management of the Authority is responsible for establishing and maintaining internal control systems. In fulfilling such responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems are to provide management with reasonable, but not absolute, assurance that resource use is consistent with laws, regulations and policies; resources are safeguarded against waste, loss, and misuse; that transactions are executed in accordance with management's authorization; and that data are obtained, recorded, and maintained properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and the preparation of federal reports in accordance with federal requirements. Because of inherent limitations in any system of internal accounting and administrative controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The significant internal accounting and administrative control categories are as follows:

- Revenue and receipts
- Purchases, payroll and disbursements
- Telecommunications plant in service and under construction
- Indebtedness

Our study and evaluation of the aforementioned control categories was extended beyond the preliminary review phase and included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses. Such study and evaluation included the significant internal accounting and administrative controls used in administering Rural Electrification Administration (REA) and Rural Telephone Bank (RTB) loans, the Authority's two federal assistance programs.

KPMG Peat Marwick

Our study and evaluation described in the preceding paragraph was more limited than would be necessary to express an opinion on the system of internal control of the Authority. Accordingly, we do not express an opinion on the system of internal control of the Authority, taken as a whole, or any of the control categories identified above. However, our study and evaluation and our audit disclosed no condition that we believe would result in more than a relative low risk that errors or irregularities in amounts that would be material in relation to the financial statements or to a federal financial assistance program may occur and not be detected within a timely period.

This report is intended solely for the use of management, the REA and RTB, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which upon acceptance by the Authority, is a matter of public record.

KPMG Peat Marwick

January 9, 1990

Bill No. 558 Date Received Jan. 25, 1990
 Secondary Bill Yes No Date Reviewed Feb. 6, 1990
 Department/Agency Affected: Guam Telephone Authority
 Department/Agency Head: Jesus Manibusan
 Total Fiscal Year Appropriation: NONE
 Bill Title (concise): AN ACT TO INCREASE THE BONDED AND LONG TERM INDEBTEDNESS OF THE GUAM TELEPHONE AUTHORITY AND FOR OTHER PURPOSES.

Change in Law: Yes.

Bill Attempts to: Bill is for:
 Increase Program Funding Operations
 Decrease Program Funding Capital Improvement
 Reallocate Present Program Funding Other

FINANCIAL/PROGRAM IMPACT

<u>PROGRAM CATEGORIES</u>	<u>Minimum Estimated Required Funds (For Five Years)</u>		
	<u>GENERAL FUND</u>	<u>FEDERAL</u>	<u>OTHER</u>
GRAND TOTAL			

ESTIMATED MULTI-YEAR FUND REQUIREMENTS

<u>SOURCES</u>	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>5th</u>
General Fund					
Federal Fund					
Other Fund					
GRAND TOTAL					

ESTIMATED MULTI-YEAR REALIZED REVENUES

<u>SOURCES</u>	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>5th</u>
General Fund					
Federal Fund					
Other Fund					
GRAND TOTAL					

Paul Leon Guerrero
 Paul Leon Guerrero
 PROGRAM ANALYST
Michael J. Reilly
 MICHAEL J. REILLY
 DIRECTOR

Date Review Terminated: Feb. 6, 1990

COMMENTS: See Comments

Exhibit 'F'

COMMENTS ON BILL NO. 558

If enacted, Bill No. 558 would substantially increase GTA indebtedness from \$61 million to \$126 million, representing an increase of more than 100%.

The following are examples of what interest expense for the proposed indebtedness may amount to:

Proposed Increase in Indebtedness \$64,000,000

Total Interest Expenses projected for term of indebtedness:

<u>Years</u>	<u>6.5%</u>	<u>7%</u>	<u>7.5%</u>
10	\$24,412,000	\$26,469,000	\$28,550,000
15	37,729,000	41,024,000	44,370,000
20	52,072,000	56,750,000	61,514,000
25	67,373,000	73,559,000	79,866,000
30	83,550,000	91,345,000	99,294,000


MICHAEL J. REIDY

Paul.
FN due 1/31
Cat 1/24



Introduced

APR 10 '89

TWENTIETH GUAM LEGISLATURE
1989 (FIRST) Regular Session

Bill No. 558

Committee on Rules

Introduced by:

[Signature]
At the Request of the Governor

AN ACT TO INCREASE THE BONDED AND LONG TERM
INDEBTEDNESS OF THE GUAM TELEPHONE AUTHORITY AND
FOR OTHER PURPOSES.

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

2 Section 1. The Guam Telephone Authority may increase its
3 bonded and long term indebtedness from Sixty-One Million Three
4 Hundred Two Thousand Nine Hundred Fifty Dollars (\$61,302,950.00) to
5 One Hundred Twenty-Five Million Nine Hundred Seven Thousand Eight
6 Hundred Dollars (\$125,907,800.00).

7 Section 2. The Guam Telephone Authority may issue:

8 (a) A revenue bond payable to the order of the Rural
9 Telephone Bank, an instrumentality of the Government of the
10 United States of America, in the principal amount of Sixteen
11 Million Eighty-Two Thousand Eight Hundred Fifty Dollars
12 (\$16,082,850.00) of bearing interest at a rate to be
13 determined in accordance with the provisions of Section 408

14 (b) (3) of the Rural Electrification Act of 1936, as amended
15 (7 U.S.C. 948 (b) (3)), and the implementing regulations, as
16 amended from time to time (7 C.F.R. #1610.10), and providing
17 for the payment of the indebtedness evidenced thereby within
18 thirty-five (35) years after the date thereof, and

19 (b) A revenue bond payable to the order of the United
20 States of America in the principal amount of Forty-Eight
21 Million Five Hundred Twenty-Two Thousand Dollars

1 (\$48,522,000.00), bearing interest at the rate of five percent
2 (5%) per annum and providing for the payment of the
3 indebtedness evidenced thereby within thirty-five (35) years
4 after the date thereof.

5 Section 3. The proceeds of the bonds authorized to be issued
6 pursuant to Section 2 of this Act shall be expended only for the
7 expansion and improvement of the Guam Telephone Authority's system.

8 Section 4. Subsection (a) 12 GCA Section 7210 is repealed and
9 reenacted to read:

10 "(a) Bonds shall bear interest at the rate of not to
11 exceed nine and one half percent (9 1/2%) per annum payable
12 annually or semi-annually or in part annually and in part
13 semi-annually except that the first coupon on any bonds may be
14 payable twelve (12) months or any number of months less than
15 twelve (12) after the date of such bond, provided, however,
16 that the nine and one half percent (9 1/2%) ceiling on the
17 interest rate shall not apply to bonds issued to evidence
18 loans made or guaranteed by the United States of America or
19 any agency or instrumentality thereof."

20 Section 5. 12 GCA Section 7206 is repealed and reenacted to
21 read:

22 "Section 7206. Maximum Amount, Purpose of and Term of Bonds.

23 Before issuing any bond or bonds, the Board, by
24 indenture approved by the Governor and the Legislature by
25 statute shall declare the purpose for which the proceeds of
26 the bonds proposed to be issued shall be expended and shall

1 specify the maximum amount of bonds to be issued or sold for such
2 purposes, and their maximum term. Bonds shall not be issued or sold
3 for such purpose in any amount or for a term exceeding that
4 specified."

SENATOR DON PARKINSON
20th GUAM LEGISLATURE
163 CHALAN SANTO PAPA STREET
AGANA, GUAM 96910

MAJORITY LEADER and CHAIRPERSON, COMMITTEE ON ENERGY, UTILITIES, AND CONSUMER PROTECTION

WITNESS SIGN-IN SHEET

****JOINT WITH :
Committee on Economic Development

DATE: Fri, 2/23/90

TIME: 10:30 a.m.

PLACE: Session Hall

RE: Bill # 558: AN ACT TO INCREASE THE BONDED AND LONG TERM INDEBTEDNESS OF
THE GUAM TELEPHONE AUTHORITY AND FOR OTHER PURPOSES.

NAME:	DEPT/AGENCY:	ORAL/WITTEN:	FOR/AGAINST
<u>Eddie J S</u>	<u>G.T.A.</u>	<u>Oral written</u>	<u>for</u>
<u>Jan H. Monte</u>	<u>GTA</u>		
<u>JAMIE UNDERWOOD</u>	<u>GTA</u>	<u>ORAL</u>	<u>FOR</u>
<u>Joe Leon Guerrero</u>	<u>GTA</u>	<u>oral</u>	<u>for</u>
<u>Don Sotomayor</u>	<u>GTA</u>	<u>oral</u>	<u>for</u>
<u>PEREZ, J. S.</u>	<u>G.T.A.</u>	<u>u</u>	<u>FOR</u>
<u>OT. San Antonio</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>MANUEL JOSE</u>	<u>✓</u>	<u>u</u>	<u>for</u>
<u>JOE CERRON</u>	<u>GTA</u>		<u>for</u>
<u>J.P. Lopez</u>	<u>Cabul USMC (Ret)</u>	<u>ORAL</u>	<u>FOR</u>