



GUAM WATERWORKS AUTHORITY

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GUAM WATERWORKS AUTHORITY

Regular Meeting

GWA Conference Room, GWA Main Office, 2nd Floor
5:00 p.m., Wednesday, August 17, 2005

MINUTES

I. CALLED TO ORDER

Chairman Sanchez called the meeting to order at 5:25 p.m.

PRESENT: Comm. Simon A. Sanchez Chairman
 Comm. Gloria B. Nelson Vice-Chairperson/Secretary
 Comm. Thomas C. Ada Vice-Chairman/GWA
 Comm. Benigno M. Palomo Vice-Chairman/GPA

John Benavente GM(CUS)
David R. Craddick GWA General Manager
Joaquin "Dan" Santos AGMAC
Randy Wiegand CFO
Sam Taylor, Esq. SLC
Pauline J.S. Onedera GWA Board Secretary

GWA/GPA Staff: Mark Miller, P/T Manager; Anthony Chargualaf, C/D Manager; Yvonne Cruz, IA; Paul Kemp, DRC; Don Antrobus, Chief Engineer; and Patrick Q. Lujan, PIO; Joaquin Flores, GPA General Manager; and Lou Sablan, GPA Board Secretary

Others: Tanya Mendiola, Rep., Sen. Brown's Office; Katie Worth, PDN Reporter; Lita Hanlon, Agat Citizen; and Robert & Sofia Lopez, Agat Citizen

II. APPROVAL OF MINUTES

M/S/C Comm. Nelson/Comm. Palomo
Move to approve the minutes of June 7, 2005 subject to corrections. Motion carried.

M/S/C Comm. Palomo/Comm. Nelson
Move to approve the minutes of July 6, 2005 subject to corrections. Motion carried.

M/S/C Comm. Nelson/Comm. Palomo
Move to approve the minutes of August 2, 2005 subject to corrections. Motion carried.

difficult than was first thought because GWA lines are totally dry down the hill from their house. She has met with Joe Paulino, who came out and saw the extent of the dilemma and ordered for a water tank to be delivered (she was grateful to him and GWA for this). Because she is relocating and trying to sell her house, one sale fell through because of this problem and finding out that both homes are not marketable because of the water situation. Mr. Lopez (tenant) also spoke in her support and mentioned that with the other neighbors this has occurred but not as bad as being that the neighbors are in a lower area. The Chairman explained that filling up the tanks does not really solve the problem. It's either you don't need the tank or your tank is always full and that's our dilemma, you have a valid concern of issues and we are not doing this to make your life miserable, but if the solution is \$100,000, the question is who should pay it. Mr. Lopez spoke at this time that in this case they are asking GWA to look into the problem, because it is not their fault that the houses were built there. They used to have water and he believes it is a GWA issue. If the permits were granted to provide water to those houses and they say they can do it, then he believes they are other ways GWA can provide water no matter what the cost is and they are ratepayers like everyone else is. Chairman Sanchez explained that if everyone with this problem were added up it would cost a lot of \$100k and if the Commission and GWA did it for them and do they'll be doing it for a lot of people and it would cost millions of dollars and you heard earlier, the Commission is trying to keep the rates down, so we'll have management look into it.

***NOTE: Back to GM's Report.**

GM05-40 RW Beck Contract Increase – Requesting approval to an additional amount to RW Beck for their work on the Engineer's report for the bonds. The request is for \$90k due to the following three items outside the schedule change. They are: (1) Complexity of GWA actual and expected financing activity; (2) Parity related issues between the meter and bond financing; and (3) Getting a cash flow that works with the CIP and SO. If a request were made to provide an Estimated Service Life, it would increase to \$105k. There is a memo from BofA saying Beck wants \$75 and Mr. Craddick is not aware of the reason for the difference. Beck was selected by UBS as the most qualified proposal and the Board previously approved works of Beck and it will be paid for through the bond proceeds should they go through and if does not GWA will need to pay the cost. Management requests that the increase of be approved. It was questioned if there was money available for this. The Chairman mentioned that a resolution was passed that was mentioned that for a certain bond related work, the assumption is either reimbursement or out of the bond. It was mentioned that no payments were made for all the work they have done. Hourly rates are still the same and they had to do more work than originally predicted when they estimated what the cost would be. A breakdown on the three items on how the money is going to be spent and where it's going to be spent was requested by Comm. Palomo. A justification of the number of hours worked was requested. A comment was made that if the actual amount of money is spent is accurate it can be more than that and should not be limited as long as the job is done.

M/S/C

Comm. Nelson/Comm. Palomo

Move to approve the request of GM Report No. 05-40 up to \$90k. Motion carried.

GM05-41 Meter Installation Costs – This report provided information on the new AMR Meter Installation Costs that was requested by the Commission at the last meeting. The number includes the labor doing it. Sometimes the meter boxes are already in so that may not be charged. The deposit is just for new services (can get reimbursed to the people later on). The meter itself is about \$190. When the customer applies they pay \$498.28 unless their meter box is in or the developers put the meter box, then we take that out. It was questioned if the customers can use their existing meter boxes and the GM responded that if that is already there then they do not charge. GM recommended that if the Commission thinks that the price is too much, they could go through a Triple A process to allow this to be amortized over some period of time that would support budget. Comm. Ada would like for management to look into some kind of payment plan (if nothing else) so that they can be able to pay it off. The Commission would like to see a policy; explore the embedding; some advertising; and some payment plans.

GM Report (Not Numbered) GTA Wireless & GWA Site Lease Agreement – No written report – just the Agreements for the Yigo property and Agat. SLC informed the Commission that the proposal is technically to adopt or accept the language of the lease as written or as the CCU/GWA may modify. They have not come back to approved it. The Commission can approve it pending the approval subject to any material change or it's a non-material change, then it would need to go to the Guam Legislature for their approval. Item was tabled until the next meeting.

***At this time the Commission have decided that the Staff Reports be tabled until the next meeting. Under the Executive Session the following to be tabled are: Sumitomo Settlement and GovGuam Fire Hydrant.**

VI. STAFF REPORTS

1. Production/Treatment – Report was submitted and to be reviewed by the members. Tabled until the next meeting.

2. Collection/Distribution – Report was submitted and to be reviewed by the members. Tabled until the next meeting.

3. Financial

a) **Supplemental Annuities** – Decision needed whether to fund the entire or not; whether to seek a rate increase to cover the differences; or absorb it and this can be decided at the next meeting.

b) **Update of the Budget** – Tabled until after the Budget Working Session scheduled for next week Tuesday, August 23rd.

c) **Bond Financing Update: MSG Defeasance** – Tabled until the next meeting and to be worked on with the budget. The GM's concern is the Commission's recommendation whether to keep MSG loan or pay it off which will involve an intense debate because of the many changes of information. GM would like to get a fourth player for less than \$15k to apply whether to pay off the MSG loan or not. Chair is requested three opinions from SLC; Banc of America; UBS; and Stan Dirks and he would like to recommend that the Commission allow MSG to opine on this issues since their loan is involve. Get all these in writing and the

analysis and provide it to management and decision will be made at the next meeting. Invite MSG, get it in by Friday and inform the Commission would you like for them to do and the input would be given. Request four opinions in writing.

4. HR Report – None.

5. Legal

a) **Investment Agreement for Meters – Tabled.**

b) **GFT Request for Exclusive Representation – Tabled.**

c) **Build-Operate-Transfers (BOT) Analysis – Part of it relates to the working session with Speaker Forbes and Vice-Speaker Brown on the CCU's decision to revisit privatization. Few Senators believes existing legislation the Commission to do the privatization as opposed to the concession legislation that was drafted. SLC has provided it. Tabled.**

6. Chief Engineer – Written report submitted.

7. AGMA – None.

VII. OLD BUSINESS – None.

VIII. NEW BUSINESS – None.

***CCU/GWA Regular meeting recessed to go into Executive Session.**

IX. EXECUTIVE SESSION

1. Sumitomo Settlement – Tabled for the next meeting.

2. GovGuam Fire Hydrant Accounts Receivable – Tabled for the next meeting.

3. Earth Tech Contract

4. GC05-0025

5. GC05-0031

***CCU/GWA reconvened at 7:30 p.m.**

Mentioned by the Chairman to the Commission that a motion is in order to approve the settlements as discussed in Executive Session for Sumitomo; GC05-0025; and GC05-0031. There was no objection, it was approved.

M/S/C

Comm. Palomo/Comm. Nelson

Move to approve the settlements as discussed in Executive Session for Sumitomo; GC05-0025; and GC05-0031. Motion carried.

X. ANNOUNCEMENT – Next meeting will be a working session on the Budget; the Bonds; and all complex issues at 1:30 p.m., Tuesday, August 23, 2005 and then regular session at 5:00 p.m.

***CCU/GWA Regular Meeting recessed at 8:00 p.m. until Tuesday, August 23, 2005 @ 1:30 p.m., GWA Conference Room, GWA Main Office, 2nd Floor.**

GUAM WATERWORKS AUTHORITY
Regular Meeting
GWA Conference Room, GWA Main Office, 2nd Floor
1:30 p.m., Tuesday, August 23, 2005

Chairman Sanchez explained to those present that the Commission recessed at the last meeting because of one item that was discussed which was the Budget. This is because it not only deals with operational issues but also on the bonds; and one loan. The CCU wanted to make sure that the ramification was fully understood of the current loan and the possible new loans that they are trying to obtain.

First item to discuss is the Budget on the regular revenues and regular expenses and once the Commission signs off on that, the rest would be of the structure of the debt; what to do with the debt and how the different structures affect the financial performance of GWA and what impacts they may or may not have.

CCU/GWA Regular Meeting reconvened and called back to order by Chairman Simon Sanchez at 2:15 p.m. with all the Commissioners present.

PROPOSED BUDGET

Randy Wiegand, CFO; John Benavente, GM(CUS); and David R. Craddick, GWA GM will lead the CCU on the Proposed Budget of FY06.

Randy – Assuming 1% growth it was discussed with Beck and they finally agreed that they are going to use 1% in their bond. Difficult number because GWA does not have good history of water used. FY04 was not good year; FY05 best year, came up with 1% because of the general economic growth that's going on.

- \$24,800 – Water Revenue
- \$800k Meter Replacement Revenue – expected with the new meters coming in; reading will be more accurate

Other Revenues:

- Meter installation costs – charges: reconnection fees
- \$750/each – Fire Hydrant charges
- \$350k/year - Supplemental Annuities Rate Change – Only new rate in this scenario (FY04; FY05; and FY06) assuming to pick up and pay off over a 5-year period. Retirement Fund has indicated that they are willing to fund money if GWA can get into a payment agreement with them. Sufficient to allow GWA retirees to begin receiving supplemental that they have not received for FY04 and FY05. Including the on going (the current).

It was questioned because 50% of the revenue is comes from getting rid of waste in water, and with the increase rates added onto the water, is the rate increased in wastewater? Response is yes, and the wastewater for commercial is multiply the water bill by 80%. It was explained that this is the additional revenue is being proposed in the Budget so that all the GWA retirees can get the health and supplemental.

***Management is going to be recommending to the Commission is do they wish to agree with the Budget for (a) supplemental annuity to the retirees. Health insurance**

is already being paid and not the supplemental. It's a liability, it's in the law that was created, PUC wants GWA to go to court; AG's would let us go to court.

Surcharges:

- \$2.5m - Money collected from PUC for surcharge and health insurance surcharge for retirees

Brings it to Total Revenue from Operations a total of \$43,842,000. Reminder to everyone, that the FY05 revenues were quite higher than projected. It was attributed to the fact that for most in FY05 GWA has been able to meet demand and in FY04 GWA was not able to.

Salaries:

- Going up \$700k – Several positions and promotions that were requested in this year's budget. Number of positions is 23 – replacements. Trouble Dispatcher – to replace people interim and upgrade the position.

Chair explained that the total on top of the \$616 and \$276 so the proposal management is to add or replace 23 positions at a cost of \$938k. He questioned the members if they would like to go through it or accept it. Comm. Palomo requested an explanation under the Engineering Section, why a Structural Engineer and not a Civil Engineer. Response from CFO is the Chief Engineer is requesting for a PE to shadow him so when he leaves the knowledge stays. Chief Engineer, Don Antrobus, explained the first position he would want hired would be the Asst. Chief Engineer because he is only here for two years and he might not get an extend order. Questioned was the position of the Structural Engineer and the response was a holdover from the reorg, which was a request for Structural/Electrical/and Mechanical Engineer. It was agreed that they remove the position of Structural Engineer.

- \$662,173 - for promotion activities to occur; the most expensive are the employees who have been here with the Agency for a long time. Safety Officers are entry levels and will be reporting under the supervision of the GPA Safety Administrator so all the functions would be worked through here and will be going out in the field.

Comm. Nelson mentioned that if these are the needs that will better the system, then she is agreeable to it and if it's not needed in the future, they don't have to budget at all. It's better that they are budgeted for now. These are the most critical positions now, and as explained by Mr. Benavente, the Chief Engineer will be getting assistance from GPA.

Comm. Ada mentioned that Customer Service is really going to be a key activity. Delivering water is one thing, but being able to a customer he questions the quality of Customer Service Manager for \$26k and the Procurement Manager for \$45k. Added that for the CSM position it should not be an entry level CSM but someone with experience. The CFO explained that this is the Civil Service step 1. The position of the Trouble Dispatcher was questioned what would the position be of and it was explained they monitor the system operation on a day-to-day basis (knows what's going on, where the levels are; what's happening to the system; whether pumps are down, coordination of repairs; communications, etc.).

Management has emphasized the need for more training this year and would like to get \$10k to bring someone in to train Customer Service how to give customer service. It was questioned what was the \$290 and the response was most of them would be off-island training and others would be the availability here at DOA.

Contractual Fees: \$3.3m.

- **Advertising Expenses** – \$230k - Advertising Expenses should be doubled and could be taken out of Equipment Rentals. The need for additional funding for Advertising Expenses even up to \$230k. It was agreed by the Commission to add another \$114 to the Advertising Expenses subtracting it from Equipment Rentals.
- **Equipment Rentals/Transportation Expense - \$1,250m** - Fuel costs has gone up; repairs and maintenance for the vehicles; and providing vehicles.

Utilities:

- **Power Purchases: \$10m** – It was mentioned that management has recommended at one time that GWA buy out Earth Tech. It is for budgetary purposes only that Earth Tech is still showing in the Budget. Chair mentioned that it's part of the CIP and if \$5m is not spent there, it could be spent on other things.

Comm. Ada (on the power side) cut it down by \$9.6; GWA would be running on a tight budget.

Materials & Supplies: \$1.5m - Both Managers from P/T and C/D purchases supplies and put them in the warehouse and their budget gets charged when they buy it. Trying to get the warehouse to purchase the materials and supplies, charge it to inventory.

Bad Debt Expense: Was a \$1m, trending \$500k, reserving \$650 in which \$250 is from Fire Dept. CFO explained that they are going to try to be more aggressive in collecting.

Depreciation: Mostly trustee fees; banking fees; _____ charge to collect. Without a rate increase

Interest Income: With the rate increase Operations is going to lose \$3.3m it has interest income, income from the bonds.

Interest Expense: \$4.7m is in which the interest was only in the beginning such as: MSG; GPA; Navy and interest on bonds.

Grant Revenues: Grants that have been sitting. CFO explained that EPA has allotted grants to GWA in the amount of \$4m that the Agency needs to spend. For prior years GWA has assumed to spend it on projects such as the Leyang, Barrigada Sewer Project, which was \$2.6m.

Chair explained that PUC allows GPA and now GWA to have enough revenues net after paying for operations and maintenance to cover the debt of 1¾ high. PUC allows both up to 1.75%. The budget tentatively approved there are four alternatives and at the last meeting, management presented three ways to structure the debt and the issue whether we retain the MSG loan GWA already has or the Tiyan ordeal. On Line 55, included is the budget the Commission has adopted. Lines 57-68 shows the new Debt Service Coverage depending how the debt is structured, no matter how it is structured, there would be enough debt service coverage.

Column L – P&I assumption that they take out the borrowing and it was questioned if MSG is defeased and the response was it didn't matter. Principal is being deferred for

