



GUAM WATERWORKS AUTHORITY

Aturidat Kinalamten Hanon Guahan
Government of Guam

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CONSOLIDATED COMMISSION ON UTILITIES
Guam Waterworks Authority Regular Board Meeting
GWA Conference Room, 2nd Floor, GWA Main Office
5:00 p.m., Tuesday, February 08, 2005

MINUTES

I. CALL TO ORDER

Meeting was called to order by Simon Sanchez, Chairman, at 5:10 p.m.

PRESENT:	Comm. Simon Sanchez	Chairman
	Comm. Gloria B. Nelson	Vice-Chairperson/Secretary
	Comm. Tom C. Ada	Vice-Chairman/GWA
	Comm. Benigno M. Palomo	Vice-Chairman/GPA
	David R. Craddick	GWA General Manager
	Randy Wiegand	GWA CFO
	Sam Taylor, Esq.	Staff Legal Counsel
	Pauline Onedera	GWA Board Secretary

GWA Staff: Elaine Cruz, HR Administrator; Paul Kemp, ESCS; Patrick Q. Lujan, PIO; Victor Torres, Data; Doris Young, GM's Office; Anita Matanane, Training; Mark Miller, Production/Treatment Manager; Tony Chargualaf, Collection/Distribution, Manager; Inas Mesngon, NSTP; Gilda Mafnas, Accounting Supervisor; and Anthony Taitague

Guests: Mayor Franklin M. Taitague, Inarajan; Sabina Perez; Tanya Mendiola, Sen. Brown's Office;

II. APPROVAL OF MINUTES – It was reported by the Board Secretary that minutes for were not prepared due to failure of transcribing equipment.

III. GM's REPORT

05-17 Meter Insurance Program – GM is requesting approval from the Commission to open an account to place insurance funds budgeted in the FY05 budget and commit to maintaining the self-insurance or equivalent for the life of the meter financing. It will allow the meter financing to move forward and in addition there are other insurance needs. He explained that GWA solicited quotations from some insurers for insurance coverage for the Agency and that no quotations were received in response to the request. He then proposed that GWA form a captive

insurance company and pay premiums, which could be loaned back to GWA. Requests for quotations for an actuary study were sent out and RISKCAP out of Hawaii was selected as the low bidder. The actuarial study indicated that GWA would need to pay premiums in the range of \$2m per year. CCU wanted to again get proposals from “local” insurance companies before entertaining a proposal to form a captive insurance program. An RFP was drafted by Atty. Camacho, then SLC, and requested that Accounting provide him with a schedule of values by location. GWA’s fixed asset system has been out of balance and has been a challenge to deal with. Without funding to pay the premiums insurance companies will in all probability not respond. He further added that GWA is required by the draft agreements for the MSG meter financing to have certain insurance in place covering essentially the entire system. GWA will also be required by bond covenants for future borrowing to have certain insurance requirements in place.

He informed the Commission that in order to immediately address the lack of insurance and allow the meter financing to go through, the following was proposed to GWA by MSG: 1) Set aside \$1m in a Self-Insurance Fund; 2) Hire an actuary to update the earlier work done to establish appropriate funding requirements; 3) Begin setting aside funds every month to meet the actual requirement; 4) Obtain general liability insurance, etc. for non-property taxes; 5) Complete the documentation of the self-insurance program; and 6) Commit to maintaining the self-insurance program or equivalent for the life of the meter financing. He indicated that the first and last items are in request for action and the other items can be handled administratively.

The Chairman questioned the GM is it accurate to say that GWA is looking for two things from the Commission, the first to set aside \$1m in a Self-Insurance Fund and to commit to maintaining the self-insurance program or equivalent for the life of the meter contract and the second is just for clear instructions to go with the insurance.

Comm. Nelson questioned if it will be in order to say that CCU will address the life insurance and allow the meter financing to go through as proposed by MSG and it has to go through EPA. The GM responded saying that would be complicated and clarifying that it’s not MSG proposing the insurance. MSG there was a million in the budget and questioned the same thing the Commission, “where is it?” and they want to see a fund that’s in where money is deposit in to.

The Chairman suggested that the motion would be to set aside the \$1m in some insurance fund and commit GWA to retaining that self insurance fund or program or equivalent for the life of the meter financing contract that is separate from EPA given the fact that the Commission are identifying the EPA reserve fund as a possible source.

The GM indicated that he would say that requires EPA approval only if the money is used to be put in there or would want to tag on a different name. If none of it is done, then it would not be done. It doesn’t require EPA not taking the \$1m out.

Chairman questioned GM if it’s okay to use the money and the response was that was the best way. Comm. Nelson questioned if he would request for EPA’s approval. Response from GM if they are going to take money out of a fund that they would put in that they’ve required on the Stipulated Order or change the name. Chairman questioned if that’s what the GM is

recommending to do and his response was that he was not making any recommendation just that a fund is set up for the \$1m.

Comm. Ada added that what the Commission needs to concur from USEPA is to spend the eligible use of the emergency reserve funds to include emergency reserve funds/self insurance funds not to open another account. He also tried to clarify that the Commission is not going to open another account but to seek concurrence to extend the eligibility uses. The response from the Chairman was that's what was meant when they say subject to EPA approval because when they deny it then the Commission would have to come up with \$1m in a different way.

Comm. Nelson suggested that the Commission approve a resolution reference to that so that it would two resolutions to approve the action that is necessary to comply with the need of that insurance.

The GM once again clarified that he is not asking to use EPA money and to tag the insurance name on to EPA this came up during the discussion that this is one backing of the financing. He was then questioned by the Chairman how is GWA funding the \$1m and the GM's response was that that was not a topic of discussion and all he was asking to set aside \$1m. After much discussion it was mentioned by the Chairman that the Commission is willing to set aside \$1m of funds but the Commission wanted a clarification from management what other money and the response from the GM was that that would be the topic of discussion at another meeting. Question brought up by the Chairman was how does the GM expect for the Board to approve the request if the Commission does not know where the funds is coming from.

Comm. Nelson questioned what would be the right motion and the GM's response was to establish the fund that they can put the money in and maintain either self-insurance or equivalent for the life of the meter financing.

Comm. Ada questioned if MSG is going to go through with the loan by establishing the account with nothing in it and the response from the GM is there's money budgeted. Comm. Ada expressed then that with money budgeted with revenues and as they come in they would start putting it in this account. Once again the GM mentioned that that was one resolution and if the Commission wants to do an other resolution that's one possible method of financing this is use EPA money and if this is done, get EPA approval, but not to tie both motions into one because it would stop the meter financing. The Chairman questioned if MSG need to see a \$1m up front and the response from the GM was he suspects they do, but if needed to add the \$1m more under the meter financing to fund it.

After much discussion if the \$1m was available; where it was going to be taken from; and how was it going to be funded it a motion was made for discussion purpose.

M/S/C Comm. Nelson/Comm. Palomo
Move that the Commission set aside a fund for \$1m for the Self-Insurance Fund. Motion carried.

Chairman questioned between now and September if they have a budget GWA would have a \$1m in cash available for funds. Comm. Ada questioned which cash whether the emergency

2. Collection/Distribution (Tony Chargualaf) – Although he was not present a written report was presented.

3. Financial Report (Randy Wiegand) - Submitted a written report. Reported that on page 2 under the “Operating Revenues” he indicated that GWA is up to 44%. For the past few months the water buffalos are basically the part are costing for leaks that need to be repaired and this is because in order to provide water for the community. Water purchases are up; chemicals are up; salaries and wages are because of the typhoon scare; and regulatory is ahead. The Chairman explained that for the past 7 years, between '98 and '05 for the record that GWA has ever earned revenue and congratulated the GM on this.

Comm. Palomo asked for an explanation on the operating revenues going up between '03 and '04 because of the increase in water pressures and wanted Randy to explain the revenue on wastewater because it's fixed and the response was 80% of what the water was so whatever water you're selling. Comm. Palomo mentioned that his wastewater is still the same and Randy explained that for residential it's the same (fixed cost) and for commercial it's not.

Chairman Sanchez explained to the Commissioners that they had projected a budget for October-November for revenue was about \$6.7 and came in about \$8.2 so it shows that GWA is ahead even with the budget they set August of last year. Overall under O&M is about \$200k less than the Commission had thought about budgetary. Meaning we're ahead budget sells significantly and below expenses. He added that GWA is still ahead \$2.6m in revenues ahead of last year and \$1.6m ahead of budget.

Comm. Palomo questioned that in the budget it indicates that we're ahead in expenses, but it may show that we're not spending money on things that GWA is doing and like in personnel whereas he would like to see it spent on people to do a good job. Comm. Nelson also mentioned that this was a good point because of the number of employees that have dropped in the past years from 400 to 200+ she had noticed during her tour that there were some areas where she felt that more employees were needed than what she saw as she had indicated at NSTP. Mr. Craddick did indicate that employees are getting paid for hours they work for and he does acknowledge the fact that they are employees that do happy labor for the agency.

At this time Chairman Sanchez extended a big Congratulations to the employees of GWA.

Randy explained further that in the restricted cash there's still some things in the past that we are still paying where he has to transfer funds and siphon money from specific accounts, part of which is for the PUC surcharge; set aside funds for EPA and Navy; contract with Earth Tech; the commitments that the CCU made to ratepayers; funds from the rate increase are being used only for CIP projects.

Comm. Ada mentioned that at the last meeting he requested from Randy a breakdown on the accounts payables and questioned how do they figure out who gets paid when.

4. Compliance Report (Paul Kemp) – A written report was submitted. Comm. Palomo questioned what is the big hold-up on “Paragraph 38 – Water Transmission Line” and the response was that the plan is underway, but Comm. Palomo questioned why is this particular transmission line being concentrated on the most and what does it serve? Mr. Craddick explained that this transmission line serves the ‘A series’ because this is where most of the spills and the quickest wells that get contaminated and a large portion of it is funded by EPA because it’s the scariest one. Mr. Craddick explained that on the transmission line in general what GWA is doing is looking to see how expenses can be reduced; do the equivalent of a transmission line without actually doing it. Purpose of the transmission line was to get adequate chlorine contact time flowing into the tanks; reduce the exposure with all the chlorine to various school sites; in people’s backyards where it’s at right now and get it to centralize locations where it can be properly managed maybe in five sights instead of 120 sights which is the purpose of his trip to Houston also to look into the technology that’s available to do these things.

5. HR Report (Elaine Cruz) – Written report on the training plan and on the DRC was submitted. Comm. Ada indicated that he had requested from HR a Training plan She informed the Commission that the Training Plan is not readily available for tonight’s meeting. According to Comm. Ada, he didn’t expect it to be presented at tonight’s meeting, but would like to have an interim report by the next meeting to get an update due that he feels that this plan would require an input from the general managers as to what training they think their people will need; where is the source instructor personnel and this is just in response to the EPA indicating that the employees need to be certified and to ensure that the proper trainings are addressed for this. He also wants to assure that this training plan be fully completed so that when it comes time for approving the budget that they stick this in. Comm. Nelson questioned as to who develops the training plan and the response given was that it was HR and Anita Matanane, Training Officer. She also asked if the plan was in narrative or written as is. Chairman Sanchez questioned HR Administrator if she would like this tabled until the next meeting and the response was yes.

Comm. Ada questioned what’s happening with the training room and if there are any training modules that the employees can use, if there’s any training software that the employees can go into and the response from the GM was nothing yet because part of the plan is to get people functional with the JD Edwards accounting system and other programs similar. According to Randy it was set up by Data for training for accounting and customer service and that it requires certain specs. It was explained that 10 computers were purchased and 5 of which the software can fit on and some needed to be upgraded in order for the software to fit in.

Comm. Ada questioned the status of the CSC action on the DRC positions and Chairman Sanchez also questioned if CSC acted on the submittal. Elaine Cruz, HR Administrator, responded that when they met in January 28th that CSC questioned the appropriateness of the creation of the DRC positions. Is it a creation of the DRC positions or the certification requirements of existing GWA positions? CSC’s stance is that it’s a certification issue. Existing positions’ classification standards will need amending showing the highest certification level, for example a Sewer Plant Leader or Supervisor for the Northern District Sewerage System would require a certification Level III Treatment and a Level IV Collection. CSC then recommended that an Incentive Pay or a Specialty Certification Pay be instituted to encourage employees to obtain the higher certification levels for their specialties. Chairman Sanchez questioned if the

proposed legislation of the DRC have been transmitted to the Legislative Speaker and the Vice-Speaker. The response was and GM Craddick informed the Commission that he will be meeting with Sen. J. Brown the following day.

6. Legal Report (Sam Taylor) – Reported that he has two that will need to be discussed under Executive Session. Chairman Sanchez put out a reminder that the Barriers Legislation is due on the 18th of this month. Atty. Taylor reported that he is still on Section 41 and that it has been time consuming and tedious for him.

V. OLD BUSINESS

1. GM Report 05-07 Approval of Bond Financing Strategy – Chairman Sanchez indicated to the GM that GWA had hire an underwriter to come up with the final strategy and would like to know what is needed from the Commission at this time. He explained that the financial advisor was using BancofAmerica Security as hired by GEDCA whereas their contract ends February 28, 2005 and GWA and GPA committed to paying them through February 28th, after that GEDCA would go out and issue and RFP to get another financial advisor. He added further that GM Craddick had always been concerned about using GEDCA's financial and had always wanted to get our own but the resistance has been because the law says you use GEDCA. GM Craddick explained that this particular item was whether GWA was going to try and get all the money at one time, get it as we need it, it was strategy how we went about getting the money and it was where he thought GWA was going to get the money by February it was important a few months back and now he know that GWA is not going to get the money until June or July and feels maybe it's not that important right now and feels that they should look into it again. After further explanation by the Chairman it was decided that to have the GM and Randy look into this more and then come back and give a report. It was the decision of the Commission that this item **be tabled and to remove it from the agenda until further notice.**

2. GM Report 05-09 Performance Indicators and Implementation Plan – GM would like to know if the Board agreed; disagreed; want to add more to it or not with what he had indicated on this report; he passed out what the material is behind the performance indicators that are relatively new and there's not too many people to compare to us now but he is certain there would be a lot of data coming up in the next year and a lot of works has been done with American Waterworks Association to determine these performance indicators and lacking any others but these are good ones and if the Commission wants to add to it or feels they're others that the CCU feels are important these are ones that will be industry-wide dated to compare ourselves to. If you pick others you may or may not updated to compare yourself to others. Comm. Ada mentioned that he's had a chance to look at performance standards that have actually been developed by the AWWA and it has all the elements that are needed to establish a Guam standard. It mentions about how do you measure the incoming number of complains and at random the GM mentioned that GWA may not have enough data to use as benchmark. From our own baseline we want to be able to comeback on a periodic basis to determine what sort of progress is being made and in order to implement the program there is some sort of structure that's going to be need to be put in place in some cases such as determine how to collect the data; how do we measure the performance; and how do you end up with the data. He also mentioned that GWA may not be able to fully implement the performance standard that has been developed by AWWA but we need to start somewhere, like maybe start measuring how many complaints

we get on a monthly basis. He's concern about establishing our own baseline or maybe have a work session. He feels a dialogue is needed for this. Comm. Nelson suggested that a work session is needed for this so the Commission can find out more about this and how this is measured. At this time the GM explained to the Commission about the QualServe program, which is a program to help utilities help themselves. He added that this program was brought to GWA in the year 2002 and it's been two years and he would like to bring this program again and it was paid back then by EPA which was \$15k a typical operating audit something like Black & Veatch or somebody like that would cost GWA anywhere from \$100k - \$150k and when their recommendation comes out it's you need to hire them to this; you need to hire them to do that; this program when the people leaves typically they never come back looking for work. He added that this program went through a big benchmarking space to try and get these performance indicators and what could happen across the board. He gave examples of some of the ratios that they had reviewed. Chairman Sanchez brought up that it's about time we get a baseline; revisit QualServe in that process; how do we get ourselves and our employees on a performance basis so that we can evaluate. Comm. Ada would like to see us go through this assessment again and make this be the baseline and once again the GM mentioned that he's not sure if it would still be \$15k but will talk EPA into paying for it again and Comm. Nelson added that it sounds better than \$150k. Chairman Sanchez suggested that we start with a work session and then entertain other recommendations.

3. Supplemental of Retirement Annuities – Chairman Sanchez explained to the new Commissioners the history of this item. Indicated that CCU had approached PUC to fund the mandate and they only agreed to fund the insurance and would not agree to fund the balance of the obligation. PUC recommended that we explore legal strategies on taking the government to court and do not charge the ratepayers on some funded mandates. CCU have not pursued it in court, so the now retirees remain unpaid. CCU did attempt to file a lawsuit but it was blocked by the AG and says we are not allowed to file this. He would like to get the figures together for the Commission have this brainstormed on the next few meetings how the Commission wishes to change it or address the unpaid portion of the supplement because the retirees are caught in the middle between the AG's; PUC; and GWA where they are not receiving their supplements. Chairman Sanchez added that because we did not pay for the last two years GWA owes for that and \$2m or \$3m and he suggested that the numbers together one more time and it be placed on the agenda for the next meeting.

VI. NEW BUSINESS

1. GWA Personnel Training Plan – Tabled.

2. Status of DRC Recruitment – Legislation has already been transmitted to the Legislature. **Tabled for the next meeting.**

Chairman Sanchez at this time informed the Commission that Speaker Forbes had suggested the idea that for Stipulated Order only jobs that are being acted by least complications that they would consider some temporary or specific waiver of civil service rules for purposes of hiring these people and paying their salaries we need. Comm. Nelson mentioned that usually the waiver stipulates the number of years and questioned how many years do we need and the response from the Chairman is that it's not a waiver it's an understanding under provisional law

for purposes of meeting S0 and it mentions DRC's. According to S. Taylor he explained that what it does the way CSC rules and regulations governing creation of unclassified positions and also suspends provision and also suspends the provision on personnel service contract that is currently in law which is still in place where it's always been a corporate issue as to whether or not it applies to us as public corporation. Are we above and beyond the constraint per say of the CSC rules on government creation positions or because we are a public corporation i.e. or more like GVB and GEDCA or are we more like other public corporations. He mentioned that we are currently there are three tracks going just like the DRC position, the first being the creation the positions via CSC, CCU had delegated its authority to the Governor for recruiting for these positions. Chairman Sanchez explained that the intention of the Commission was to go hire a company that would provide the DRC's not to hire individual, but the third track was to continue with interviewing those who did apply doing at the norm of CSC process right now because of EPA coming down at CCU and they are not going to accept any excuses. GWA needs 21 DRC's by April 28th. Comm. Ada brought up the fact that he has not seen a copy of the RFP and the SLC responded that it's almost done. An ad for this position was placed on the paper and 21 has applied and interview is still on going. Of the 21 only 1 on-island has applied and the rest is off-island. After a lengthy discussion on the status of the on-going interviews; number of applicants; and provisions of contracts, etc., it was decided once again that this be tabled.

VII. COMMUNICATION

- 1. Ltr from Sen. L. Leon Guerrero re: FOIA Request of Documents relating to the GWA's Privatization Efforts**
- 2. Ltr from Sen. J. Brown re: Customer Report**
- 3. Ltr from Cyfred, Ltd. re: Gill Breeze Subdivision Waterline-Your Letter 01/18/05** – Context of the letter was that he considers the contract with Bert Johnston to be valid and Chairman Sanchez suggested that management report back on how he would like to handle it.
- 4. Ltr from Mayor McDonald dated January 17, 2005**

VIII. PUBLIC COMMENT – Comm. Nelson suggested that this be moved up in the Agenda.

- 1. Inas Mesngon** – Questioned the status of the increment for GWA employees. It was questioned by Chairman Sanchez what employees are qualified for additional increment and can the amount be calculated. Response is about \$178k. According the Chairman he responded that if it's \$200k he believes that money is available to change the budget and does not think it's a problem. If it's going to be implemented the way Randy is doing it, then it could be done. Because the freeze of the increment has been lifted management and the CFO can look into it.

X. ANNOUNCEMENT (This was discussed at this part before going into Executive Session)

1. Comm. Ada – will be off-island and would like for the Commission to consider changing the meeting date to Monday, February 21, 2005 instead of Tuesday.
2. GM Craddick informed the Commission that MSG and their financing group would be on island next week and they would like to have a formal meeting with the Board and on Wednesday they will be on a tour of the pump stations and the plants. He informed the Commission that their arrival is not only for the meter but to provide all the financing within 30 days.

M/S/C Comm. Nelson/Comm. Palomo
Move to approve \$100 a month for Board refreshments and other miscellaneous items. Motion carried.

IX. EXECUTIVE SESSION

- 1. Ija Pump Station – Tabled.**
- 2. Aquiningoc Claim**


The meeting reconvened to its regular session at 8:22 pm.

M/S/C Comm. Palomo/Comm. Nelson
Move to increase the settlement amount for the Aquiningoc Claim from \$25k to \$28k. Motion carried.

XI. ADJOURNMENT

Meeting adjourned at 8:30 p.m.

Respectfully submitted by:


PAULINE J.S. ONEDERA
CCU/GWA Board Secretary

Attested by:


GLORIA B. NELSON
CCU Vice Chairperson/Secretary