



GWA RESOLUTION NO. 24-FY2023

**RELATIVE TO APPROVING AMENDMENTS TO THE FY2023 BUDGET AND
TRANSFERS FROM THE WORKING CAPITAL RESERVE FUND TO GWA'S RATE
STABILIZATION FUND AND GWA GENERAL FUND**

WHEREAS, under 12 G.C.A. 14105, the Consolidated Commission on Utilities ("CCU") has plenary authority over financial, contractual, and policy matters relative to the Guam Waterworks Authority ("GWA", "Authority"); and

WHEREAS, the GWA is a Guam Public Corporation established and existing under the laws of Guam; and

WHEREAS, the CCU adopted Resolution 32-FY2022 Relative to Approving the FY23 Operations and Maintenance Budget following the approval by the Public Utilities Commission of a 5.5% rate increase across all rate classes, excluding Lifeline Rates, effective October 1,2022; and

WHEREAS, projected water and wastewater revenues of \$108.5 million for FY2023 were supplemented with \$12.4 million from American Rescue Plan Act funds and \$2.9 million from GWA's Rate Stabilization Funds to fund \$100.2 million in operating expenses and \$39 million in debt service payments; and

WHEREAS, based on actual power expenses in the first 2 quarters of FY23, the approved budget level will fall short in the next several months. Power costs were budgeted at \$21.6 million based on an estimated monthly consumption of 4.9 million kilowatt hours (kwh) per month using an aggregate average kilowatt hour cost of \$0.36; and

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1 **WHEREAS**, actual consumption is 5.1 million kwh per month at an aggregate average
2 cost of \$0.44 cents per kwh. The projected shortfall for the approved power budget level is
3 \$5.76 million; and
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5 **WHEREAS**, despite continued efforts to maximize resources, increases to power and
6 inflationary increases to critical inventory, materials and supplies have forced GWA to request to
7 use additional reserves to meet its operational needs and debt obligations; and
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9 **WHEREAS**, establishment of the GWA Rate Stabilization Fund (RSF) provides a tool to
10 manage financial risks associated with continued uncertainties as Guam recovers from the
11 economic effects of the pandemic and other global circumstances; and
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13 **WHEREAS**, GWA requires an additional transfer of \$3.8 million from prior period
14 balances of GWA's Capital Improvement Fund into the RSF and an increase to the FY23 RSF
15 authorization to spend up to \$8.1 million of rate stabilization funds for FY23 operations; and
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17 **WHEREAS**, Section 5.10 Application of Capital Improvement Fund of the Bond
18 Indenture states that all amounts in the Capital Improvement Fund may be used and withdrawn
19 by the Authority for any lawful purpose of the Authority or may be transferred to the Revenue
20 Fund, in each case upon Request of the Authority; and
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22 **WHEREAS**, management seeks approval to increase the FY23 Operations and
23 Maintenance Budget expenses from \$100.2 million to \$107.5 million and increase the authorized
24 RSF supplemental funding from \$2.9 million to \$8.1 million (which includes an increase RSF
25 transfer authorizations up to \$15.2 million), all of which are outlined in Exhibit A attached
26 hereto.
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28 **NOW BE IT THEREFORE RESOLVED**; the Consolidated Commission on Utilities
29 does hereby approve the following:

- 30 1. The recitals set forth above hereby constitute the findings of the CCU.
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2. The CCU authorizes an increase in GWA's FY23 Operating Expense Budget by not more than \$7,379,282.00 as reflected in Exhibit A to maintain operations and maintenance activities.
3. The CCU authorizes, on an as needed basis, the transfer \$3.8 million from prior period balances of GWA's Capital Improvement Fund to the Rate Stabilization Fund.
4. The CCU increases the FY23 RSF supplemental funding authorization from \$2.9 million up to \$8.1 million.
5. The CCU directs GWA Management to notify the CCU of any utilization (transfers out) or replenishment (transfers in) of the Rate Stabilization Fund.
6. The CCU directs GWA Management to include updates to the RSF in the FY23 True Up and FY24 budget resolution.

RESOLVED, that the Chairman certified, and the Board Secretary attests to the adoption of this Resolution.

DULY AND REGULARLY ADOPTED, this 25th day of April, 2023.

Certified by:



JOSEPH T. DUENAS

Chairperson

Attested by:



PEDRO ROY MARTINEZ

Secretary

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SECRETARY'S CERTIFICATE

I, Pedro Roy Martinez, Board Secretary of the Consolidated Commission on Utilities as evidenced by my signature above do hereby certify as follows:

The foregoing is a full, true, and accurate copy of the resolution duly adopted at a regular meeting by the members of the Guam Consolidated Commission on Utilities, duly and legally held at a place properly noticed and advertised at which meeting a quorum was present and the members who were present voted as follows:

AYES:	<u>4</u>
NAYS:	<u>Ø</u>
ABSTAIN:	<u>Ø</u>
ABSENT:	<u>1</u>

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EXHIBIT A To Resolution 24-FY2023

GUAM WATERWORKS AUTHORITY PROPOSED FY23 BUDGET AMENDMENT

	APPROVED	Proposed Amendment	Variance	
	2023	2023	Increase /Decrease	% Increase /Decrease
Basic Charge -Water	5.50%	5.50%	5.50%	
Lifeline Increase	0.00%	0.00%	0.00%	
Non-Lifeline Increase	5.50%	5.50%	5.50%	
Legislative Surcharge	3.50%	3.40%	3.40%	
Customer Growth	1.00%	1.00%	1.00%	
Demand Growth	0.00%	0.00%	0.00%	
OPERATING REVENUES	106,766,135	106,821,523	55,388	0.1%
Water Revenues	68,541,482	68,442,403	(99,079)	-0.1%
Wastewater Revenues	35,114,011	35,273,753	159,742	0.5%
Legislative Surcharge	3,110,642	3,105,367	(5,275)	-0.2%
Other Revenues	510,758	470,941	(39,818)	-8.5%
System Development Charge	1,243,666	1,686,867	443,202	26.3%
Total Operating Revenues	108,520,559	108,979,331	458,772	0.4%
O & M EXPENSES				
Water Purchases	6,606,117	6,379,055	(227,062)	-3.6%
Power Purchases	21,600,000	27,871,109	6,271,109	22.5%
Salaries and Benefits	24,720,848	23,601,155	(1,119,693)	-4.7%
Administrative and General Expenses	11,396,844	11,298,024	(98,820)	-0.9%
Depreciation Expense	27,708,727	28,737,060	1,028,333	3.6%
Contractual Expense	4,877,773	5,901,271	1,023,498	17.3%
Retiree Supplemental Annuities/Health care costs	3,253,701	3,755,617	501,916	13.4%
Total Operating Expenses	100,164,010	107,543,292	7,379,282	6.9%
Earnings (Loss) from Operations	8,356,549	1,436,039	(6,920,510)	-481.9%
Total non-operating revenues (expenses)	(29,193,176)	(8,874,619)	20,318,557	-229.0%
Net Income (Loss) before capital contributions	(20,836,627)	(7,438,580)	13,398,047	-180.1%
Capital Contributions	35,612,509	20,344,485	(15,268,024)	-75.0%
Change in Net Assets	14,775,882	12,905,905	(1,869,977)	-14.5%
⁽¹⁴⁾ BOND DEBT SERVICE	39,036,678	39,036,678	-	0.0%
DEBT SERVICE COVERAGE CALCULATION - Section 6.12				
Earnings (Loss) from Operations	8,356,549	1,436,039		
Investment Income-Other funds	65,092	1,071,924		
COLA	624,000	673,200		
System Development Charge	(1,243,666)	(1,686,867)		
Depreciation	27,708,727	28,737,060		
⁽¹⁵⁾ RSF	2,900,000	8,100,000		
ARPA	12,400,000	12,400,000		
Balance Available for Debt Service	50,810,702	50,731,356		
⁽¹⁶⁾ Debt Service Coverage (1.25X) - Section 6.12	1.30	1.30		