



GWA RESOLUTION NO. 01-FY2025

**RELATIVE TO APPROVING THE GUAM WATERWORKS AUTHORITY FISCAL
YEAR 2025 OPERATIONS AND MAINTENANCE BUDGET**

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 Guam Waterworks Authority ("GWA") is a Guam Public Corporation established and existing under the laws of Guam; and

WHEREAS, in March 2024 the CCU adopted Resolution 11-FY2024 *Relative to Approving the Five-Year Financial Plan and Capital Improvement Program*; and

WHEREAS, on June 6, 2024, GWA filed as Docket 24-05 its *FY2025 - 2029 Five-Year Financial Plan and Rate Increase Request* which included estimated annual budgets and capital improvement projects to provide for the continued modernization, operation, maintenance, and repair of GWA's water and wastewater systems; and

WHEREAS, GWA requires sufficient revenues to meet projected costs driven primarily by obligatory investments for system reliability, federal regulatory compliance, 2011 Federal Court Order, 2024 US EPA Partial Consent Decree and which must concurrently meet rate covenants delineated by GWA's bond indenture; and

WHEREAS, both GWA and PUC met requirements for a rate increase as required by the Rate Payer Bill of Rights through rate payer notifications and public hearings; and

WHEREAS, upon compliance with the *Rate Payers' Bill of Rights*, completion of seven (7) months of meetings with PUC consultants Georgetown Consulting Group (GCG), a Joint

1 Stipulated agreement between GWA and GCG was subsequently submitted to the PUC on
2 August 28, 2024; and

3
4 **WHEREAS**, the Joint Stipulation as submitted and signed by GWA and GCG was
5 approved and adopted by the PUC and the PUC authorized the following rate increases: for
6 FY2025 effective October 1, 2024, an 11.5% rate increase for basic lifeline and non-lifeline rates
7 across all rate classes of water and wastewater customers; for FY2026 effective October 1, 2025
8 a 10.75% increase for all non-lifeline water and wastewater rates, and a 7.75% increase at the
9 start of each fiscal year for FY2027, FY2028 and FY2029 for all non-lifeline water and
10 wastewater rates; and

11
12 **WHEREAS**, the authorized rate increases for FY2026 through FY2029 are not final and
13 are subject to change and approval following annual true-up proceedings; and

14
15 **WHEREAS**, the CCU adopted GWA Resolution No. 32-FY2024 *Relative to Approving*
16 *an Interim FY2025 First Quarter Operations & Maintenance Budget* on August 27, 2024, as the
17 PUC Rate Hearing scheduled for September 24, 2024, did not provide sufficient time to prepare
18 the FY2025 budget resolution based on the PUC Rate Order; and

19
20 **WHEREAS**, the adoption of the FY2025 budget is crucial for sustaining GWA's
21 continued efforts to modernize infrastructure, comply with federal mandates, and ensure the
22 reliability of water and wastewater services for the island of Guam; and

23
24 **WHEREAS**, the FY2025 approved 11.5% rate increase for all lifeline and non-lifeline
25 water and wastewater rates across all customer classes establish revenue projections of \$138.4
26 million, net of bad debt. Additionally, GWA expects to generate \$1.5 million in interest income;
27 and

28
29 **WHEREAS**, operating costs are projected at \$97.6 million excluding depreciation
30 comprised of \$34.9 million for utilities; \$35.2 million gross salaries and benefits; \$13.7 million

1 for administrative and general expenses; \$9.3 million in contractual costs and \$4.5 million for
2 retirees; and

3
4 **WHEREAS**, the budget includes provisions for \$38.9 million in debt service payments
5 and maintains compliance with rate covenants, ensuring a debt coverage ratio of 1.32x; and

6
7 **WHEREAS**, following the PUC approval of the GWA *FY2025 - 2029 Five-Year*
8 *Financial Plan and Rate Increase Request*, the Department of Defense (DOD) notified GWA of
9 a rate reduction in the cost per kilo-gallon of water GWA purchases from the Navy; and

10
11 **WHEREAS**, the Department of Defense (DOD) recently confirmed a reduction in Navy
12 water rates from \$24.07 to \$10.98 per kilo-gallon, but GWA has requested and is awaiting data
13 for reconciliation of GWA's consumption figures, and accordingly management will maintain
14 PUC-approved budget levels for FY2025, and subsequently adjust the FY2026 budget upon
15 completion of reconciliation and updated projections using confirmed consumption data and
16 rates; and

17
18 **WHEREAS**, management believes that the Rate Stabilization Fund plays a critical role
19 in managing Debt Service Coverage requirements, and any surplus revenue resulting from the
20 reduction in Navy water rates will be allocated to the Rate Stabilization Fund to further support
21 GWA's financial stability; and

22
23 **WHEREAS**, GWA continues to actively pursue grant opportunities to fund both
24 operational and maintenance expenses such as training and FTEs; and

25
26 **WHEREAS**, management seeks approval of the FY 2025 Operations & Maintenance
27 budget with rates and expenses as adjusted by the PUC outlined in Exhibit A attached hereto.

28
29 **NOW BE IT THEREFORE RESOLVED**; the Consolidated Commission on Utilities
30 does hereby approve the following:

- 31 1. The recitals set forth above hereby constitute the findings of the CCU.

- 1 2. The CCU hereby authorizes this GWA Resolution No. 01-FY2025 *Relative to*
2 *Approving the Guam Waterworks Authority Fiscal Year 2025 Operations and*
3 *Maintenance Budget* to supersede GWA Resolution No. 32-FY2024 *Relative*
4 *to Approving an Interim FY2025 First Quarter Operations & Maintenance*
5 *Budget.*
- 6 3. The CCU further authorizes the GWA FY2025 Revenue, Operations &
7 Maintenance Budget of \$138.4 million and \$97.6 million in revenues and
8 expenses respectively in addition to other cash flow requirements such as debt
9 service, working capital and debt coverage.
- 10 4. The CCU authorizes Management to transfer up to 10% of the total budget as
11 necessary among and between cost categories.
- 12 5. The CCU authorizes management to hire personnel at the salary and benefit
13 expenditure level specified in Exhibit A for Fiscal Year 2025.
- 14 6. The CCU authorizes that Operations and Maintenance expenses paid for by
15 grants will not be charged against the FY2025 Revenue and Operations &
16 Maintenance Budget.
- 17 7. The CCU likewise authorizes management to transfer any excess funds from
18 revenues to GWA's Rate Stabilization Fund (RSF) after the required year-to-
19 date debt service coverage of 1.32x is satisfied.

20
21 **RESOLVED**, that the Chairperson certified, and the Board Secretary attests to the
22 adoption of this Resolution.

23
24 **DULY AND REGULARLY ADOPTED**, this 22nd day of October 2024.

25
26 Certified by:

27 

28 _____
29 **JOSEPH T. DUENAS**

30 Chairperson

31 Attested by:



 PEDRO ROY MARTINEZ

 Secretary

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: 5
NAYS: 0
ABSENT: 0
ABSTAIN: 0



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EXHIBIT A TO RESOLUTION 01-FY2025

**GUAM WATERWORKS AUTHORITY
FISCAL YEAR 2025 BUDGET SUMMARY
PUC DOCKET 24-05 September 24,2024**

	Historical Year	Prior Year	Projected
	FY 2023	FY 2024	FY 2025
Non-Lifeline Rate Increase	5.50%	16.70%	11.50%
Lifeline Rate Increase	0.00%	16.70%	11.50%
CASH SOURCES			
Water Service Revenues	69,672,862	79,600,069	88,925,862
Legislative Surcharge	2,147,271	2,810,565	2,878,526
Water SDC Revenues			
Water Rate Revenues	\$ 71,820,133	\$ 82,410,634	\$ 91,804,388
Wastewater Rate Revenues	37,478,560	45,709,022	48,990,256
Wastewater SDC Revenues			
Wastewater Rate Revenues	37,478,560	45,709,022	48,990,256
Other Revenues	567,167	487,416	515,000
Rate Revenue Adjustment	(3,044,250)		(1,914,585)
Credit Card Convenience Fees			
Bad Debt Adjustment	(421,467)	(989,267)	(973,434)
Total Operating Revenues ¹	\$ 106,400,143	\$ 127,617,805	\$ 138,421,625
Interest / Investment Income	1,972,141	2,400,930	1,568,788
Rate Stabilization Transfers Out (In) ²	18,050,000	950,000	
TOTAL SOURCES	\$ 126,422,284	\$ 130,968,735	\$ 139,990,413
CASH USES			
Power Purchases	24,397,961	21,431,502	21,300,054
Water Purchases	7,038,954	15,696,662	13,590,550
Salaries & Benefits ³	27,272,268	27,944,629	35,246,589
Admin & General ⁴	9,023,292	9,326,494	13,745,782
Contractual Expense	5,575,264	6,411,266	9,320,454
Retiree Expense	3,560,495	3,924,231	4,495,403
O&M Subtotal	\$ 76,868,234	\$ 84,734,784	\$ 97,698,832
Debt Service	39,036,678	38,762,231	38,904,329
Internally Funded Capital (IFCIP)	2,836,370	8,784,879	12,500,000
TOTAL USES	\$ 118,741,281	\$ 132,281,894	\$ 149,103,161
Net Annual Cash Flow	\$ 7,681,002	\$ (1,313,159)	\$ (9,112,748)
DEBT SERVICE COVERAGE			
Net Revenues	\$ 49,554,049	\$ 46,233,951	\$ 42,291,581
Adjustment, Regulatory Asset			3,840,800
Adjustment, Capitalized Labor	3,075,928	3,026,904	4,582,057
Adjustment, Other ⁵	673,200	701,500	701,500
Revenues Available for Debt Service	\$ 53,303,177	\$ 49,962,355	\$ 51,415,938
Total Debt Service	39,036,678	38,762,231	38,904,329
Debt Service Coverage	1.365	1.289	1.322

1 - Includes leachate and Navy revenues; excludes system development charge revenues

2 - FY 2023 value includes \$12.4 million of ARPA funds which was used to offset debt service coverage requirements

3 - Capitalized labor, which does not represent a cash impact, is not included in this calculation of annual net cash

4 - Excludes bad debt expense since this line item is included as an offset to rate revenues (per audited financials)

5 - Includes retiree COLA and end-of-year pension and OPEB adjustments