

# Government of Guam

## *Presentation to the Municipal Credit Conference*

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# Introduction





## Guam – “America in Asia”

- 212 square miles (30 miles long by 4 to 9 miles wide)
- Largest island in Micronesia
- Westernmost territory of the United States in close proximity to major Asian cities
- Strategic U.S. military post in the Western Pacific
- Guam citizens are U.S. citizens
- Population of 159,358 as of 2010 Census
- Sovereign entity generally subject to U.S. law (sovereign immunity waived for bonds)
- All bond issuance is centralized through the Guam Economic Development Authority (GEDA)





# Governance & Taxation

- Guam is an unincorporated, organized territory of the United States. It is "unincorporated" because not all provisions of the U.S. Constitution apply to the territory
- Like Puerto Rico and the USVI, Guam is an "organized" territory because Congress provided it with the Organic Act of 1950, which serves as Guam's constitution
- Local governance provided by an elected Governor and Lieutenant Governor and 15 Senators and an appointed judicial branch. Guam also has an elected, non-voting representative to Congress (currently the Honorable Madeleine Z. Bordallo)
- Guam is within the jurisdiction of the U.S. 9th Circuit Court of Appeals and the U.S. Supreme Court
- Guam's Tax Code mirrors the Internal Revenue Code, but is paid to Guam instead of the U.S. Treasury
- The Government of Guam is the only taxing authority on Guam. There are no overlapping taxing districts or authorities.
- Guam's bonds are triple-tax exempt in all U.S. states and territories





# Guam's Economy

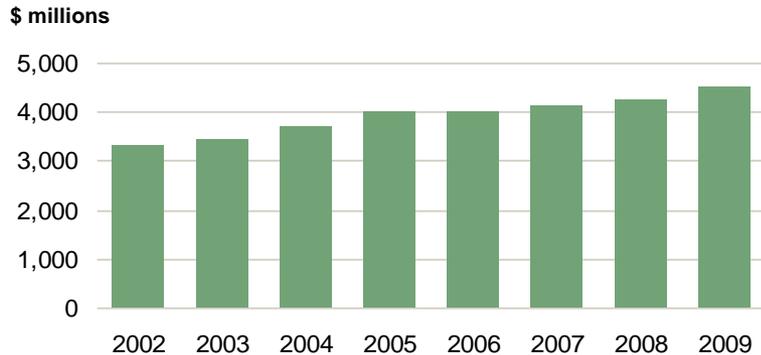


Photo Credit: Guam Visitors Bureau



# Overview of Guam's Economy

## Guam's GDP grew during the recent U.S. recession



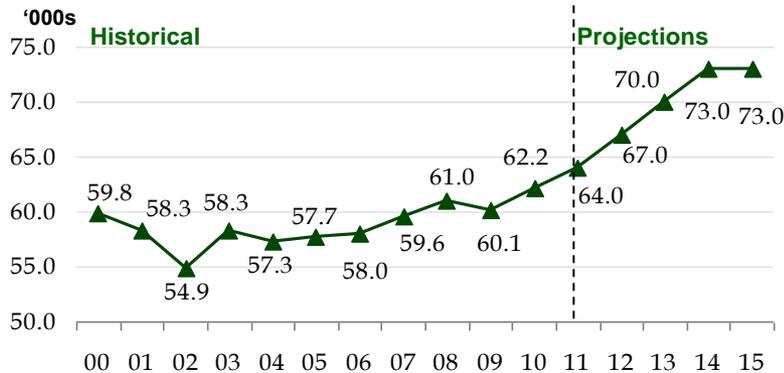
Source: U.S. Department of Commerce, Bureau of Economic Analysis, September 2011

## Guam's median household income compares favorably with other U.S. jurisdictions

Area	Median Household Income, 2010
Hawaii	63,030
California	57,708
United States	50,046
Georgia	47,469
South Carolina	42,580
<b>Guam</b>	<b>39,263</b>
West Virginia	37,423
Puerto Rico	18,862

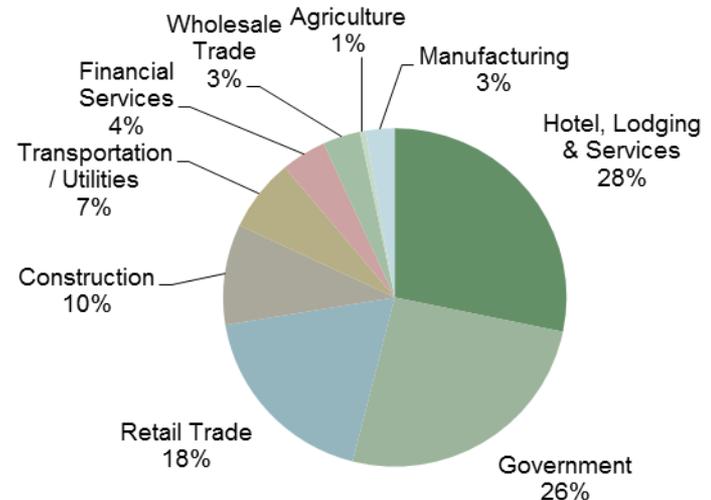
Source: U.S. Department of Commerce, Bureau of Economic Analysis United States Census Bureau and Government of Guam Department of Labor, Bureau of Labor Statistics

## Employment on Guam continues to rise



Source: Moody's Analytics, April 2011

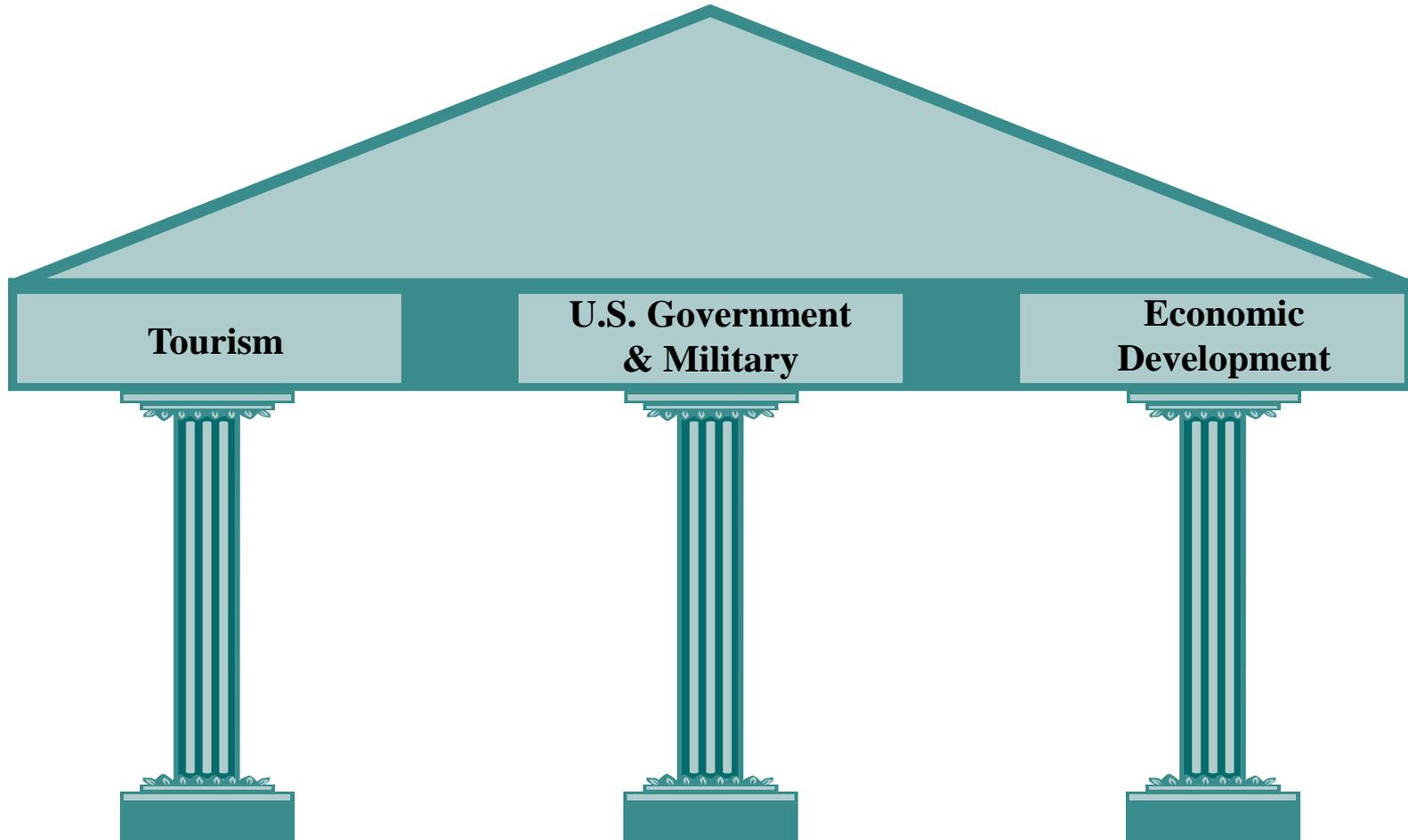
## Tourism, retail and construction businesses are the largest private employers



Source: Guam Department of Labor, December 2011



# Three Pillars of Guam's Economy





# Tourism

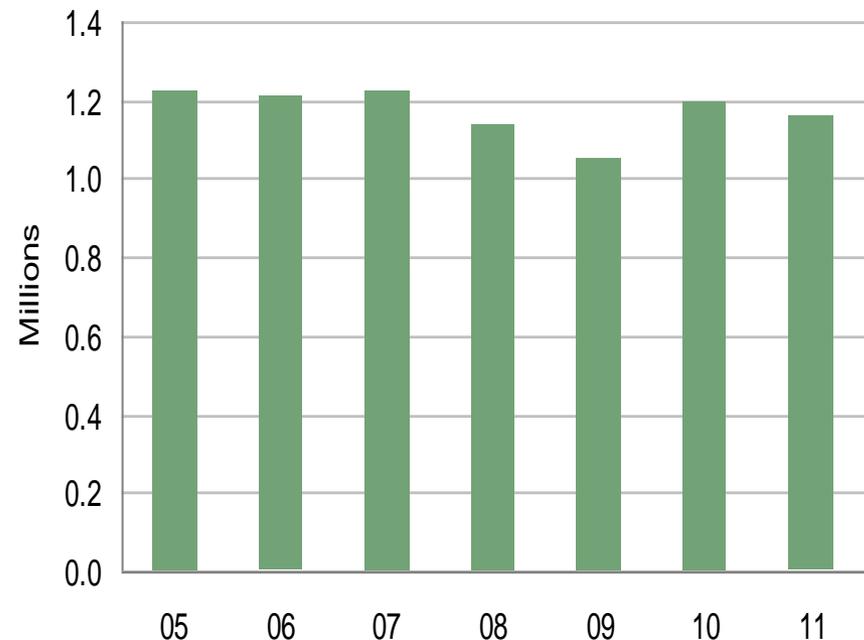
- Guam is an attractive tourist destination, particularly for Asian tourists due to its proximity and low cost
  - Beaches and Resorts
  - Golf
  - Shopping
  - Rich Cultural History
- More than 1 million tourists annually
- Existing hotel inventory of almost 8,000 rooms and includes notable hotel operators

## 2011 Highlights

- Visitor arrivals increased by 10% from 2009
- Hotel occupancy rates have steadily increased, 72% in 2011
- Average room rates rose 11% from 2010
- Minimal effects of Japan disasters
- Increase in visitors from Korea, Taiwan, and China
- **Visa Waiver for Russian visitors** granted by Dept. of Homeland Security on 1/15/12



## Annual Visitor Arrivals

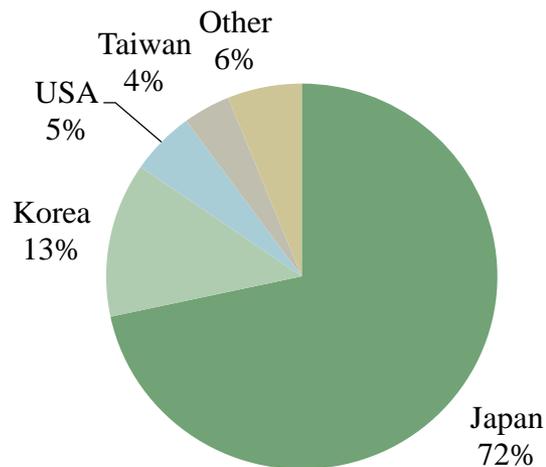




# Tourism

- Over 70% of Guam's visitors originate from Japan
- Growth markets include Korea, China, Taiwan, Hong Kong and Russia
- Seeking China visa waiver – expect decision this year (could increase visitors by hundreds of thousands annually)
- Visitor industry diversification efforts – marketing focused on:
  - Longer length of stay, more family oriented travel, and shorter distance of travel for elderly and retired
  - Returning visitors (greater spending due to more independence and less likelihood of buying “package deals”)
  - Meeting, Incentive and Conference markets (MICE) - more disposable income and helps occupancy during slow periods
  - New visitors from Russian markets

## 2011 Visitor Arrivals by Market





# U.S. Military Activity

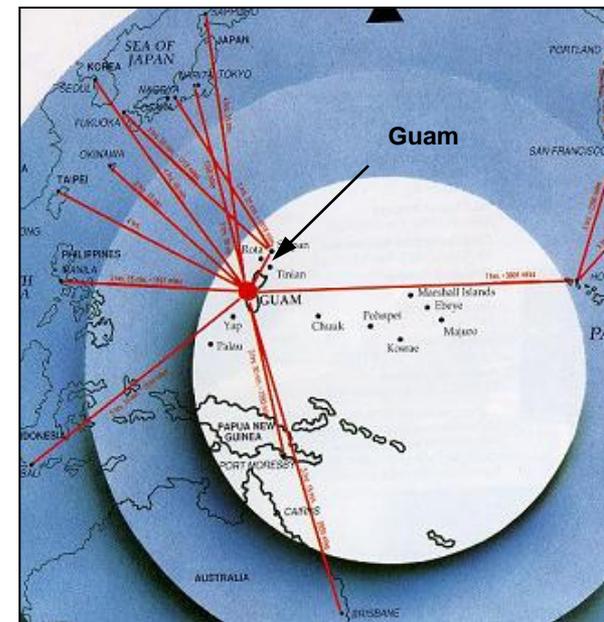
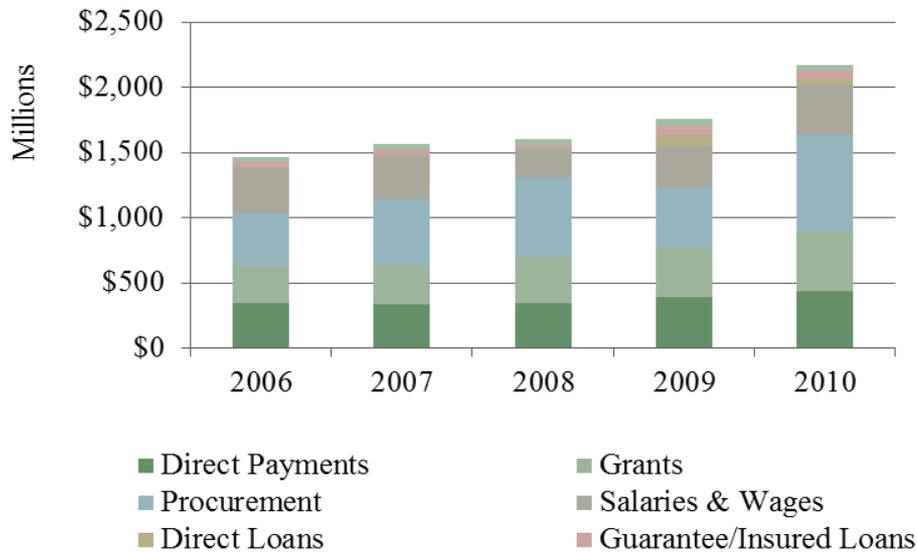
## Guam has an Extensive U.S. Military Presence with Growing Strategic Importance

Guam is strategically positioned to serve as a staging base and operating location for mobilizing U.S. military forces and equipment within Asia and the Western Pacific

*“These are the areas where we see the greatest challenges for the future. The U.S. military will increase its institutional weight and focus on enhanced presence, power projection, and deterrence in Asia- Pacific. This region is growing in importance to the future of the United States in terms of our economy and our national security. This means, for instance, improving capabilities that maintain our military's technological edge and freedom of action.”*

– Leon Panetta, Secretary of Defense, January 5, 2012

### Federal Expenditures FY 2006-2010





# U.S. Military Activity

- U.S. Navy and Air Force bases occupy nearly 29% of the island's land mass
- Federal property available for additional military forces, missions, and personnel
- Nearly 17,000 direct and indirect military personnel living on Guam
  - 6,400 active duty personnel and approximately 7,000 dependents
- In addition, 3,600 Federal civilian employees also live on the Island

## Military Buildup

*U.S. and Japan have agreed to relocate Marines from Okinawa to Guam over the next ten years*

- To include 4,700 service members and their families
- Significant capital investment to accompany the move
- Negotiations still underway





# Economic Development

## Economic Development Plan will Create Foundations for Economic Diversity and Stability

### ■ Goals & Challenges

- Increasing revenue base
- Strengthening primary pillars of Guam's economy
  - Tourism and the Military
    - Invigorate Tourism
    - Promote Military Buildup
- Further development of a third pillar uncorrelated to tourism or the military
  - Take advantage of Guam's regional geographic advantages
  - New and emerging industry opportunities
  - Diversification of the economy



# Economic Development

- **Regional Distribution Center**  
Utilizing bonded warehousing on Guam as a consolidation and customs clearance center
- **Regional Recycling Center**  
A hub for collection and transshipment of recyclable materials in the region
- **Healthcare**  
To further develop and expand medical initiatives to include increased service and capacities
- **Affordable Housing**  
Provide incentives and assistance to developers and contractors to meet Governor Calvo's goal to build 3,000 more affordable homes for Guam families
- **Hagatna Revitalization**  
Committed to reinvesting and revitalizing Hagatna for commerce, culture and government
- **Light Manufacturing**  
Domestic manufacturing of construction materials
- **Construction and Support Services**  
MilCon projects - Demand for construction professionals, specialist and manpower
- **Eco and Sports Tourism**  
Enhance the tourism market by providing expansion into other activities
- **Film, Video, Commercials**  
Regional venue for television and commercial film production for Asian producers



# Guam's General Fund



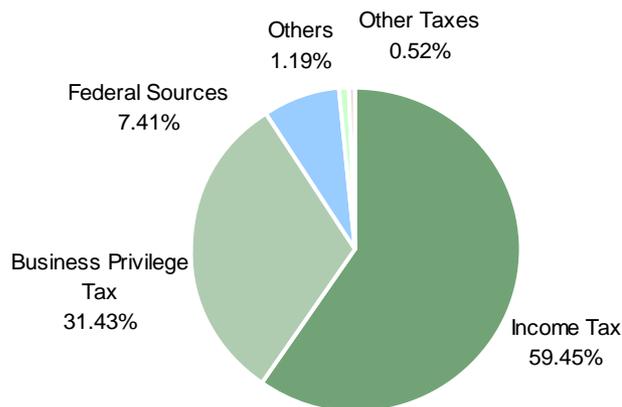
Photo Credit: *Guam Visitors Bureau*



# Guam's General Fund Finances - Overview

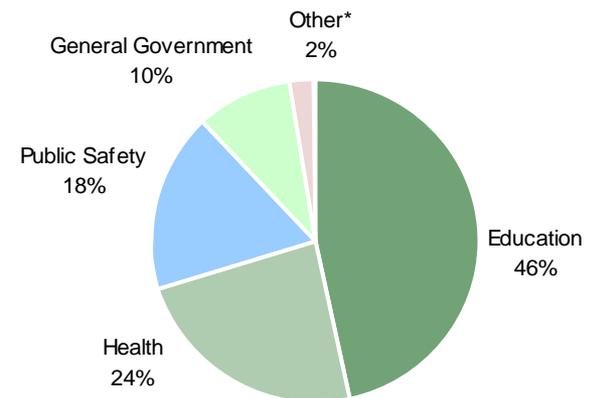
- Guam's primary sources of General Fund revenues are corporate and individual income taxes, business privilege taxes ("BPT") and federal "Section 30" revenues
  - Most Guamanians pay no federal income taxes; under the Organic Act, the Territorial Income Tax Code mirrors the IRS Code
  - "Section 30" revenues are primarily federal income taxes paid by federal civilian/military employees resident on Guam, including active duty personnel and retirees, which are remitted to Guam
- Principal expenditures are for K-12 and higher education, public safety and protection, general government, public health and debt service on bonds and other obligations
- FY 2012 Budget Highlights: revenues available projected at \$573.8 million, appropriations of \$562.3 million for government services; 2% reserve amounting to \$11.5 million
- Accumulated deficit of about \$143 million, biggest component of which is unpaid tax refunds ("UTRs")

## General Fund Revenues (Fiscal Year 2012)



Source: Guam Bureau of Budget and Management Research

## General Fund Expenditures (Fiscal Year 2012)

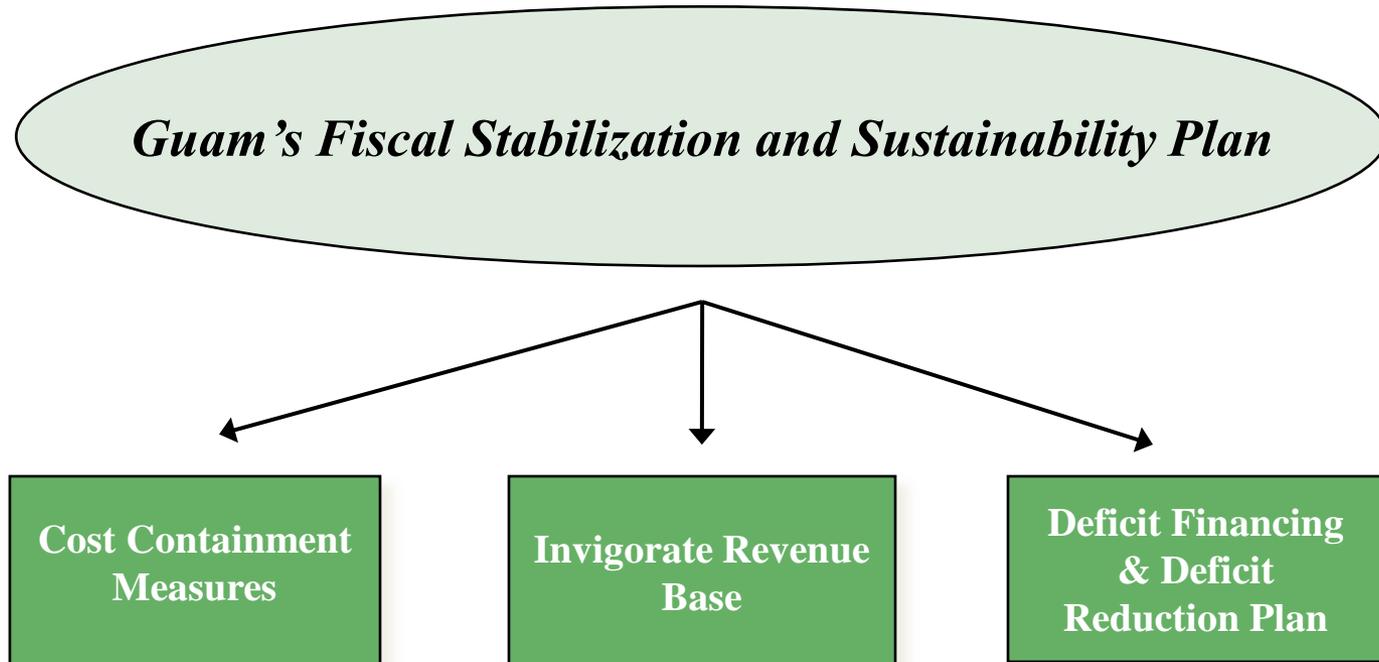


Source: Guam Bureau of Budget and Management Research  
\* Includes Tourism, Labor, and Natural Resources



# Calvo-Tenorio Commitment

**Guam's Fiscal Stabilization and Sustainability Plan will Help Eliminate Structural Deficit and Maintain Balance for the Future**





# Debt Overview



Photo Credit: Guam Visitors Bureau



# Guam Ratings and Outstanding Debt



	Credit	Moody's	S&P	Fitch	Amount Outstanding as of January 1, 2012 (\$MM)
General Fund*	GovGuam (General Obligation)	-	B+ (stable)	-	485
	GovGuam (Business Privilege Tax)	-	A (stable)	A- (stable)	235
	GovGuam (Limited Obligation)	-	-	-	13
	GovGuam (Section 30)	-	BBB- (stable)	-	202
	GovGuam (Hotel Occupancy Tax)	-	BBB+ (stable)	-	89
	Sub-Total General Fund*				1,025
Leases	Dept. of Education	-	B (stable)	-	65
	Educational Fin. Foundation (Compact Impact Lease)	-	A- (stable)	-	59
Enterprise Funds	Airport Authority	Baa2 (stable)	BBB (stable)	-	155
	Power Authority	Ba1 (senior) Ba2 (subordinate)	BBB (senior) BBB- (subordinate)	BBB- (senior) BB+ (subordinate)	571
	Waterworks Authority (combined water/sewer)	Ba2 (stable)	-	BB (stable)	212
	Tobacco	-	-	BBB+ (2007A) BBB (2007A) BB (2007B)	34

\* These bonds are subject to debt limit (lower of 9% of appraised value by law or 10% of appraised value by the Organic Act; current AV is \$11.4 billion).



# Guam International Airport Authority

- **Essential facility and sole service provider** and the lifeline to island's tourist driven economy
  - Provides services to **11 international and regional airlines** averaging over **2.7 million passenger movements per year**
  - **Asia-Pacific Hub** for United Airlines
  - 163,000 sq. ft. **Integrated Air Cargo Facility**
- \$155 million in bonds outstanding
- Issuance plans include \$150 - \$250 million over the next 12 months, to refund existing obligations and finance capital improvement projects.



## Financial & Operating Highlights (FY 2011)

- 4.4% increase in operating revenues from previous year
- Japan disasters had a minimal effect on passenger activity, 2% decrease from prior year
- Cost per Enplanement (CPE) - \$16.95
- 1.53x debt service coverage
- Execution of a **Energy Savings Performance Contract** to result in power cost savings
- **Ratings:** BBB (S&P), Baa1 (Moody's)



# Guam Power Authority

- *Sole provider of power* to the island's residents
- Vertically integrated electric utility that provides service to 47,826 customers
- *Experienced management and staff*
- Governed by the elected, five-member Consolidated Commission on Utilities (CCU) & regulated by the Guam Public Utilities Commission (PUC), which sets electric rates
- \$571 million in bonds outstanding
- Issuance Plans - \$60 million refunding in process and various CIP needs to be funded within next two years



## Financial & Operating Highlights

- *Recent rate increases* approved by the PUC (3/1/08 and 3/1/10)
- *Reduction in payment delinquency* due to strict disconnection policy
- 2.2x Debt Service Coverage in FY 2010
- **Alternative/Renewable Energy** contracts approved by the PUC for solar and wind energy technologies
- Initiated development of Smart Grid Project
- **Ratings:** BBB(S&P), BBB- (Fitch), Ba1 (Moody's)



# Guam Waterworks Authority



- *Sole provider of water and sewer* to the island's residents
- Provides service to 40,800 customers
- *Experienced management and staff*
- Governed by the elected, five-member Consolidated Commission on Utilities (CCU) & regulated by the Guam Public Utilities Commission (PUC), which sets water rates
- \$ 212 million in bonds outstanding
- Issuance Plans – In the process of being developed in light of EPA Consent Decree



## Financial & Operating Highlights

- *Recent rate increases* approved by the PUC (8/1/09, 10/1/10, 10/1/11)
- 18% increase in operating revenues from previous year
- 1.44x Debt Service Coverage in FY 2010
- Established online bill payment
- Ongoing infrastructure improvements
- **Ratings:** BB (Fitch), Ba2 (Moody's)



# Department of Public Works

- The U.S. Department of Transportation allocates **\$18.4 million annually** to the Government of Guam to plan, design, construct and maintain improvements to Guam's designated Territorial Highway System

## 2030 Transportation Plan

- Guam's long-term multi-modal transportation improvement strategy

- Includes evaluation of existing conditions, community outreach, travel demand modeling, effects of the military expansion, identification of improvement projects and strategies for implementation.

- Guam is seeking to issue one or more series of GARVEEs in an aggregate principal amount not exceed \$75 Million for the purpose of implementing Capital Improvement Highway Projects described in the 2030 Plan





# Government of Guam Business Privilege Tax Bond

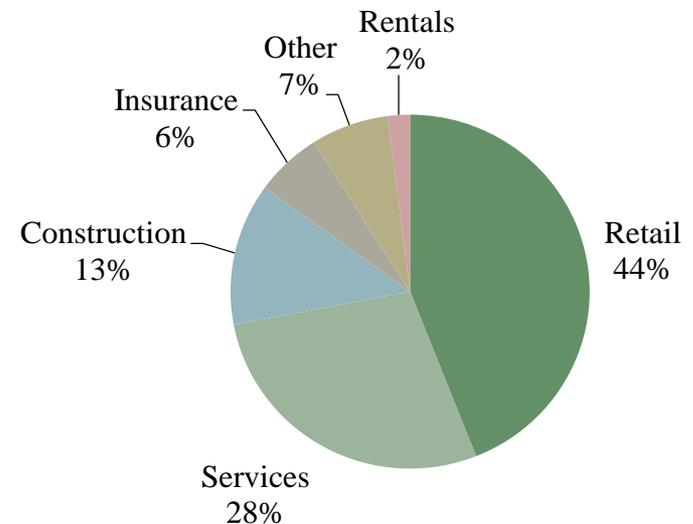


- Limited Obligation of the Government of Guam, backed by Business Privilege Tax (BPT) revenues
  - BPT is a 4% tax on business receipts (similar to but more expansive than a sales tax)
  - BPT is *locally controlled* and *the strongest revenue source* for the Government of Guam
- \$235 million in bonds outstanding
- Issuance Plan: \$110 million within next six months subject to legislative approval of an increase in the debt ceiling

## Financial & Operating Highlights

- BPT collections have grown by an average of 6% over the past 10 years
- FY 2011 collections were \$198 million
- Collections are not concentrated in any particular sector
- 9x debt service coverage (3x ABT)
- **Ratings:** A (S&P), A- (Fitch)

## BPT Collections by Sector FY 2010





# Conclusion



Photo Credit: *Twyggy Global News*



# Useful Guam Websites

## Economic Information

- GEDA: [www.investguam.com](http://www.investguam.com)
- Guam Chamber of Commerce: [www.guamchamber.com.gu](http://www.guamchamber.com.gu)

## Visitor Industry

- Guam Visitor's Bureau: [www.visitguam.com](http://www.visitguam.com)
- Guam Hotel & Restaurant Association: [www.ghra.com](http://www.ghra.com)

## Financial Information

- Government of Guam: [www.admin.gov.gu](http://www.admin.gov.gu)
- Office of the Public Auditor: [www.guamopa.com](http://www.guamopa.com)

## Guam Autonomous Agency Issuers

- Guam Power Authority: [www.guampowerauthority.com](http://www.guampowerauthority.com)
- Guam International Airport Authority: [www.guamairport.com](http://www.guamairport.com)
- Guam Waterworks Authority: [www.guamwaterworks.org](http://www.guamwaterworks.org)
- GARVEE's [www.guamtransportationprogram.com](http://www.guamtransportationprogram.com)



# Contact Us



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### WELCOME TO THE GUAM ECONOMIC DEVELOPMENT AUTHORITY

#### EXPAND YOUR BUSINESS!

GEDA is proud to announce that it is a recipient of the SBA - State Trade and Export Promotion (STEP) Grant. Get more information on a new and exciting opportunity for your business.



[CLICK ON HERE TO LEARN MORE](#)

Small Business Jobs Act of 2010

As we say on Guam, "Hafa Adall" - Welcome to our beautiful island. You are viewing the Guam Economic Development Authority (GEDA) web site. GEDA is an autonomous agency of the Government of Guam and a Guam public corporation.

The U.S. Territory of Guam possesses many advantages for investors and businesses alike. Guam is the closest U.S. possession to China and the Asian theater and is in the same time zone range. Guam offers a professional and business friendly environment utilizing U.S. laws, currency and language. The territory also offers investor incentive programs available through GEDA.

With the increase in Asian tourism and military growth, the island offers numerous investment opportunities for potential investors. With its economy expecting to experience an unprecedented boom in the near future, it is only a matter of time before we reach an all time high in business development.

We invite you to "Explore the Possibilities" and learn why Guam is "Your Business Smart Destination".

Search

#### GEDA ADMINISTRATOR'S MESSAGE



Hafa Adall

"We believe in Guam!" These very words provide the framework for Governor Eddie Baza Calvo's Guamanian

Dream. With the impending military buildup and the significant change the buildup will bring comes an opportunity to shape a better Guam. I share Governor Calvo's Dream and look forward to working with the Calvo-Tenorio Administration in an effort to make Guam better. As America in Asia, Guam is a "Business Smart Destination" and over the course of the next decade a better Guam will be built as a result of our collective hard work and decisions which will guide Guam's growth and as a result every sector of Guam's economy will benefit and thrive.

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#### LATEST NEWS AND EVENTS

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#### THE GOVERNOR'S MESSAGE



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