

GUAM WATERWORKS AUTHORITY

A Report to Our Citizens

Strategic Goals

- ✓ Institute sound asset management and capital planning
- ✓ Develop a foundation for sound management operation and maintenance and financial planning
- ✓ Engage GWA's customers to achieve the appropriate level of service
- ✓ Achieve long-term resource sustainability
- ✓ Establish the road map for full regulatory compliance

Why We Exist

Guam Waterworks Authority (GWA), a public corporation, provides good drinking water that meets the federal Safe Drinking Water Act (SDWA) to the island of Guam's civilian residents and collects about 60% of wastewater. GWA treats the wastewater and disposes of it in compliance with the federal Clean Water Act (CWA). Currently, 40% of GWA's customers continue to use cesspools and septic tanks that places the ground water that supplies our wells at risk of contamination. GWA provides the facility of water production and distribution system to the community.



History of Guam Waterworks Authority

Public law 23-119 created GWA to administer the water utility as a semi-autonomous, self-supporting agency. On February 1, 1997, GWA officially obtained its status as an autonomous agency. Public law 26-76 changed the way GWA was to be managed by the nonpartisan Consolidated Commission on Utilities (CCU). The community of Guam must receive sustainable utilities in order to function in modern life thus, CCU has the authority in managing the utility agency in the interest of the consumers.

Fiscal Year 2008

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Mission Statement

Good Water Always



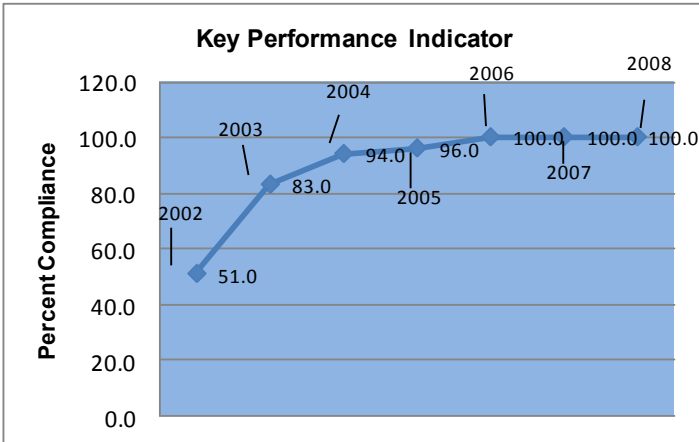
For more information and inquiries, please contact Heidi Ballendorf at (671) 647-2603, email heidi@guamwaterworks.org or visit <http://guamwaterworks.org>

Customers in Fiscal Year 2008

Customer Type	Water	Wastewater
Public		
Federal	12	9
Government	396	260
Subtotal	408	269
Private		
Agriculture	171	0
Commercial	2,371	1,930
Golf Course	18	0
Hotel	54	51
Irrigation	36	0
Residential	35,956	21,521
Subtotal	38,606	23,502
Total Customers	39,014	23,771



Our Performance



The percentage of the Safe Drinking Water Act (SDWA) compliance.

Safe & Reliable Water

For the last several years, GWA has been able to meet the SDWA standards. In 2002, the percent compliance is 51% due to an occurrence of supertyphoon, Pongsona. This caused the water to be precarious (Kemp, 2009).

In the years of 2003 to 2005, GWA did not meet the 100% compliance standard due to a mixture of dirty water with the clean water. After the supertyphoon, residents who lived down south were incautiously mixing their dirty water with the clean water. Therefore, producing unfavorable results.

Guam Surface Water Quality

Year	Minimum Compliance*	Ugum Water		Fena Water		Source of contaminant
		Compliance	Violation	Compliance	Violation	
2006	95%	100.00%	No	99.41%	No	Soil Runoff
2007	95%	100.00%	No	100.00%	No	Soil Runoff
2008	95%	99.60%	No	100.00%	No	Soil Runoff

(*) Water produced must be below the Maximum Contaminant Level (MCL) of 0.3 NTU turbidity for at least 95% of all samples collected and must never exceed 1.0 NTU.

The Ugum Water Treatment Plant in Talofoto produces approximately 2.4 million gallons of water daily (MGD) for villages from Talofoto to Umatac. The Fena Water Treatment plant in Santa Rita, currently operated by the Navy produces approximately 7 MGD of water of which GWA purchases approximately 4 MGD. This is to service the villages of Agat and Santa Rita.

Of the 121 wells; whichever of them are operating, are monitored every day for disinfection - 16 critical wells are monitored twice a day. Any well found to have a disinfection feed that has stopped working is monitored for bacteria before the disinfection is restarted. GWA is in the process of linking every well to the disinfection feed system so that if the disinfection stops, it will shut off the well. The wells are also tested for pesticides and herbicides annually and various inorganic compounds quarterly.

The distribution system is monitored for both disinfection and bacteria at all 193 sites over a two week period. This is a separate process from the wells. These distribution sites are also monitored for disinfection by-products and other contaminants on an annual or quarterly basis depending on what is being monitored.

Water Purchases and Sales

Water Provider (Kgal)	FY 2006	FY 2007	FY 2008	FY08 vs. FY07
Navy Purchases	1,778,704	1,314,913	1,317,469	0.19%
GWA Sales	14,494,770	14,521,118	14,240,504	-1.93%
Total (Kgal)	16,273,474	15,836,031	15,557,973	-1.76%

- From 2006 to 2008, water purchases from the Navy decreased 25.93%, at the same time, GWA's sales decreased by 1.75%. In 2007 and 2008, GWA purchased water (per Kgal) from the Navy at the rate of \$2.09 and \$3.25 respectively.
- Overall, purchases and sales decreased approximately 4.40% from 2006 to 2008; decreased 1.76% from 2007 to 2008.

Increase in water consumption; decrease in wastewater collection

Description	FY 2006	FY 2007		FY 2008	
	Consumption/Collection/No. of customers	Consumption/Collection/No. of customers	% change FY07 vs. FY06	Consumption/Collection/No. of customers	% change FY08 vs. FY07
Water consumption (in gallons)	6,942,097,547	6,972,519,150	0.44%	7,231,927,412	3.72%
Water customers	37,703	38,555	2.26%	39,014	1.19%
Wastewater collection (in gallons)	4,548,180,799	4,475,790,761	-1.59%	4,116,450,681	-8.03%
Wastewater customers	22,577	23,287	3.14%	23,771	2.08%

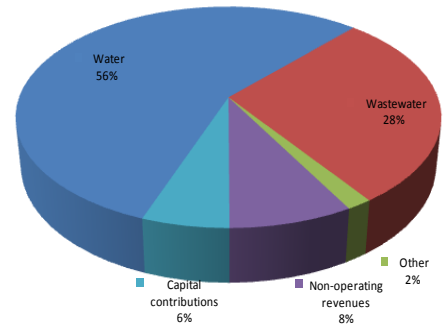
- Water consumption increased by 3.72%; customers increased by 1.19%.
- Wastewater collected decreased by 8.03%; customers increased by 2.08%.



Financial Report

Increase in Revenues

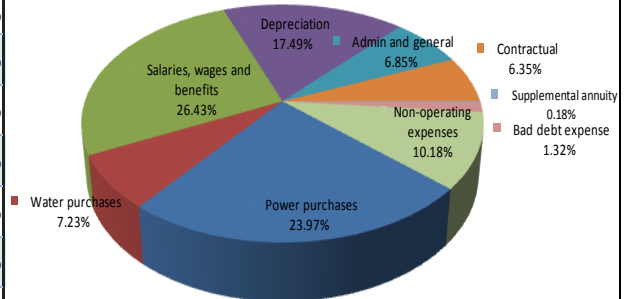
Revenues	FY06	FY07	FY08	% change
Operating revenues:				
Water	\$29,840,570	\$30,170,727	\$33,634,835	11.48%
Wastewater	14,631,593	15,336,312	17,015,790	10.95%
Other	474,872	653,098	990,752	51.70%
Non-operating revenues	4,578,168	5,361,890	4,775,151	-10.94%
Capital contributions	1,149,207	1,656,861	3,358,462	102.70%
Total Revenues	\$50,674,410	\$53,178,888	\$59,774,990	12.40%



- GWA improved its operating revenues mainly due to a 14.2% rate increase effective September 2007. FY 2008 reflects the full effect of the 14.2% rate increase. Consumption increased by 3.7%, from 7 billion (B) gallons to 7.2B gallons and residential customers increased slightly by 2.8%.
- Non-operating revenues decreased mainly due to a decrease in interest income of 45% compared to FY 2007.
- Capital contributions increased by 102% mainly due to an increase in grants from U.S. Government of \$741,250 and other contributions of \$960,351.
- In FY 2008, the change in net assets increased by 34.16% compared to FY 2007.

Increase in Expenses

Expenses	FY06	FY07	FY08	% change
Operating expenses:				
Power purchases	\$10,521,173	\$11,914,539	\$14,631,816	22.81%
Water purchases	5,017,247	2,820,954	4,413,377	56.45%
Salaries, wages and benefits	14,470,767	14,174,003	16,136,063	13.84%
Depreciation	9,375,635	9,748,542	10,677,756	9.53%
Administrative and general	4,697,858	5,162,451	4,184,736	-18.94%
Contractual	3,956,433	4,141,397	3,874,734	-6.44%
Supplemental annuity	473,252	(646,442)	112,405	117.39%
Bad debt expense	3,188,253	832,515	803,609	-3.47%
Non-operating expenses	7,071,187	6,963,979	6,213,246	-10.78%
Total Expenses	\$58,771,805	\$55,111,938	\$61,047,742	10.77%



Change in net assets (\$8,097,395) (\$1,933,050) (\$1,272,752) **34.16%**

- Operating expenses increased by \$6.0M compared to FY 2007. The increase in operating expenses resulted from an increase in electricity \$2.7M due to the soaring fuel costs increase, water purchase increase \$1.6M due to the increase in consumption, new rate from Navy and personnel costs of \$2.0M.
- The number of employees increased from 251 to 308 in FY 2008.
- The Supplemental/COLA annuity increased by 174% due to the increase in medical and dental insurance for retirees, from \$424,000 to \$1.2M in FY 2008. In 2008, \$1.5M was collected from surcharge and \$1.6M in disbursements.
- Non-operating expenses decreased by 10.8% due to no expenses incurred on loss on asset disposal, loss on inventory write-down and other expenses.
- In FY 2008, operating activities contributed \$3,080,714 in losses; non-operating activities contributed \$1,550,500 in losses; and capital contributions in the amount of \$3,358,461 in gains that resulted in a decrease in net assets of \$1,272,752.

An independent audit was performed by Deloitte & Touche. GWA received an unqualified (clean) opinion. The Office of the Public Auditor released GWA's audited financial statements on May 27, 2009.

For more information on the audited report, please visit <http://www.guamwaterworks.org/documents/GWAfs08.pdf>



Looking Forward



In today's economic downturn, people will cut back on shopping, eating out, taking expensive trips, and/or going to the movies. However, one important essential item that people may not cut back on is the ability to acquire water.

Water is a critical need. Residents will be affected by the increase in rates in order to provide clean, safe, and reliable water and wastewater services.

Strategic Five-Year Plan

GWA continues to move forward by creating a five-year plan that includes:

- Combined rate increase of over thirty-three percent (33%) over a period of five (5) years.
- Future borrowing of approximately \$300 million for system related upgrades and efficiencies, investing in a SCADA system, power monitoring systems and automation system upgrades.
- Employing new technology for the fieldwork.

Military Buildup

GWA has estimated the relocation of the Department of Defense from Japan:

- Engineering estimates have come in at around \$200 million to build 22 new wells along with building water storage facilities.
- Transmission and distribution lines along with associated water storage.
- Wastewater collection line.

With the upcoming military buildup, it is estimated an average homebuilder will spend approximately \$5,400 for water and wastewater infrastructure.

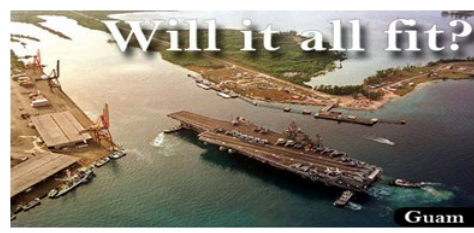
Assumed Housing Location for Military Buildup

Housing Location	Percent of Total	Net Increase Over Current Projection
Marines		
NCS	50%	17,000
Other NDSTP Area	25%	8,500
Hagatna STP	25%	8,500
Subtotal		34,000
Air Force		
AAFB	100%	12,000
Hagatna STP	0%	0
Subtotal		12,000
Total		46,000
Total NDSTP	82%	37,500
Total Hagatna STP	18%	8,500

NCS (Northern Communication Station); NDSTP (North District STP); AAFB (Anderson Air Force Base)

The net increase in population associated with the relocation of military personnel from Japan is estimated at 46,000 people. The majority of this increase will take place in the northern half of Guam. GWA is working very closely with DOD in addressing the funding required to accommodate the military buildup.

Looking beyond 2008, GWA will be facing tough, but not impossible, challenges. Unfortunately, we are not resistant to the economic pressures and are challenged everyday with managing our limited resources in light of rising prices. Costs will inevitably continue to rise and operational efficiencies will undoubtedly dictate the future impact of rising costs on GWA's financial resources.



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