

Guam Waterworks Authority



Water and Wastewater System Revenue Refunding Bonds, Series 2017 Investor Presentation



GUAM **WATERWORKS** AUTHORITY

November 3, 2017

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Presentation Participants

Officer of the Governor

The Honorable Edward J.B. Calvo
Governor of Guam

Consolidated Commission on Utilities

Joseph Duenas
Chairman

Guam Waterworks Authority

Miguel Bordallo, P.E.
General Manager

Greg Cruz
Chief Financial Officer

Guam Economic Development Authority

Jay Rojas
Administrator

Bookrunning Senior Managing Underwriter Citigroup

Tim Rattigan
Managing Director

Stephen Field
Vice President



Overview of the Series 2017 Bonds

	Series 2017 Bonds		
Issuer	Guam Waterworks Authority		
Issue	Water and Wastewater System Revenue Refunding Bonds		
Par Amount*	\$110,180,000*		
Maturities*	2019 – 2040*		
Tax Status	Tax-Exempt Non-AMT Exempt from taxation by any state or territory of the United States		
Pricing*	November 15 th , 2017*		
Closing Date	December 14 th , 2017		
Use of Proceeds	The Authority is issuing the 2017 Bonds to (i) refund all or a portion of the Authority's outstanding 2010 Bonds and (ii) pay costs incurred in connection with the issuance of the 2017 Bonds.		
Security	Limited obligations of the authority payable solely from and secured by a pledge of Revenues consisting primarily of all gross income and revenue received by the Authority from the ownership or operation of the Authority's water and wastewater system		
Redemption Provisions*	Subject to optional redemption anytime on or after July 1, 2027*		
Ratings	Standard & Poor's: A-	Moody's: Baa2	Fitch: BBB-
Bookrunning Senior Manager	Citigroup		
Co-Senior Manager	Barclays		

*Preliminary and subject to change



Overview of Guam

Guam is an unincorporated territory of the United States with a strategic U.S. military post in the Western Pacific and a thriving tourist industry

- Guam is governed by an elected Governor and Lieutenant Governor, 15 Senators and a judicial branch
- Guam's population as of 2010 was estimated to be 159,358¹
- Guam's GDP measured \$5.8 billion² for 2016
- Guam's proximity to many of the major cities of Asia and the South Pacific greatly contribute to a diverse population and visitor industry
 - 3-5 hour flight from most major cities in Asia



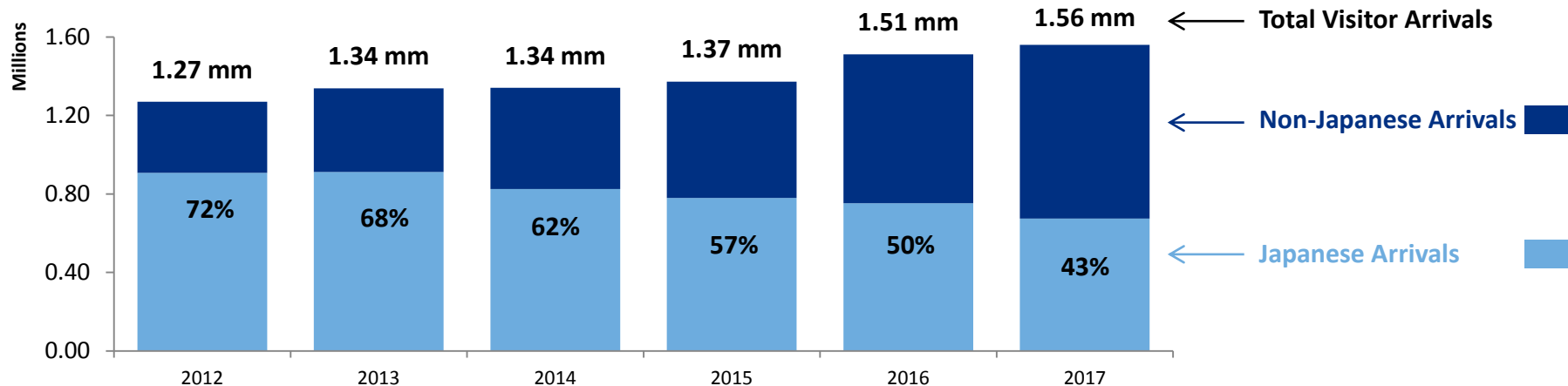
(1) 2010 U.S. Census.

(2) US Bureau of Economic Analysis

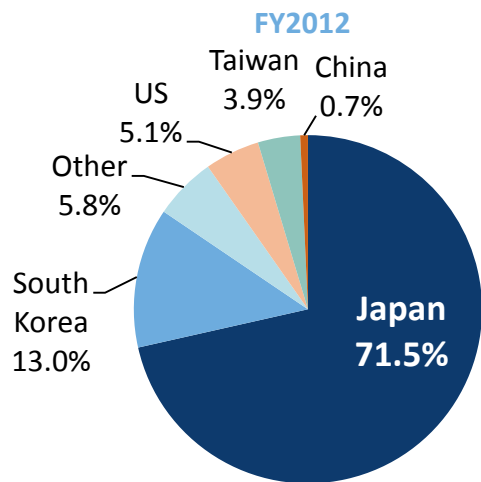
Guam Tourism Update

Guam's economy continues to expand as Guam's visitor base becomes increasingly more diverse

Total Visitor Arrivals and Japanese Arrivals as a Percent of Total Arrivals (FY 2012-2017) in millions



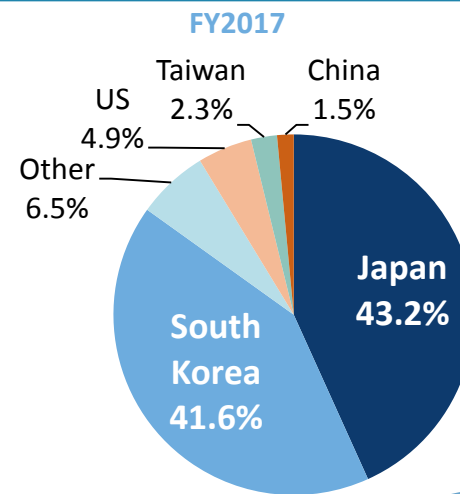
Guam Visitor Arrivals by Market



FY2012



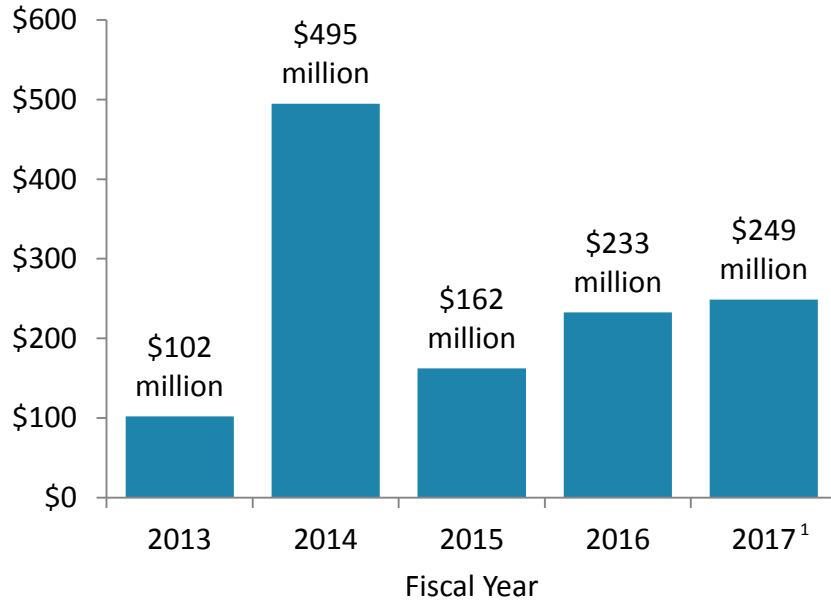
FY2017



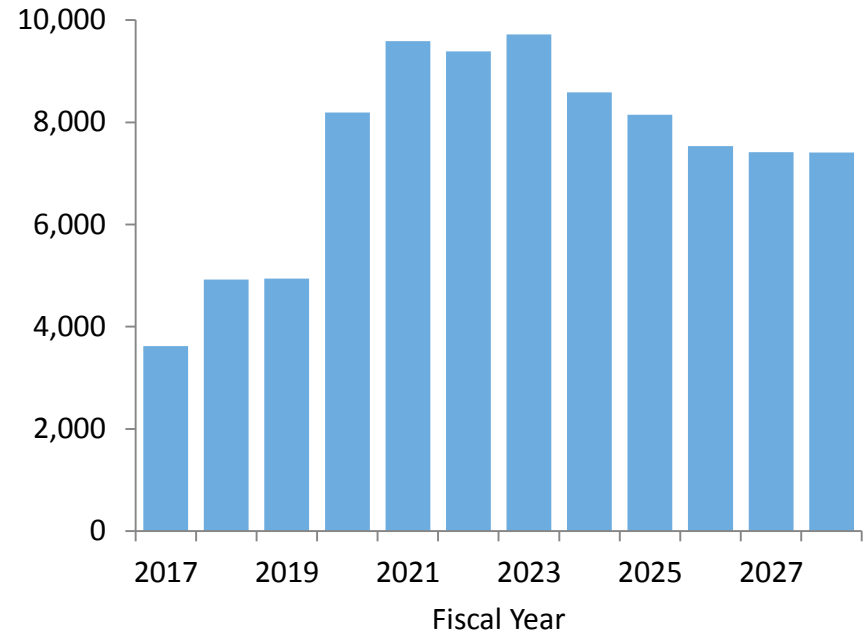
Marine Relocation & Department of Defense Projects

The signing of the Record of Decision in 2015 for the relocation of approximately 5,000 Marines from Okinawa to Guam began the process for significant additional military investment in Guam

U.S. Military Construction Authorizations for Guam¹
(in \$millions)



Expected Incremental Population Increase by Year²



- Record of Decision (ROD) was released in August 2015 and identified final locations for Marines relocating to Guam
- Longer and more gradual construction period (13 years) compared to 2010 Environmental Impact Statement (7 year construction period)
- In 2016, the military agreed to give Guam approximately \$55.3 million in grants to fund civilian water and wastewater projects linked to the military build-up
- Recent construction awards further demonstrate that the military buildup is ready to move forward

(1) Fiscal year 2017 Military Construction Authorization as passed by the House Armed Services Committee (HASC)

(2) Reflects incremental not cumulative population increase based on information in the Supplemental Environmental Impact Study (SEIS)



GWA Management and Governance

GWA is a public corporation governed by the Consolidated Commission on Utilities

- The Consolidated Commission on Utilities (“CCU”) oversees GWA
 - Serves like a board of directors for GWA
 - Responsibilities include hiring GM, CFO and internal counsel
- The Guam Public Utilities Commission (“PUC”) serves to regulate utility rates and significant expenditures that may impact rates
- Both the PUC and CCU must approve any rate increases
- In 2004, the PUC adopted a 1.75x minimum debt service coverage policy for GWA

Guam Public Utilities Commission

Consolidated Commission on Utilities

Joey Duenas
Chairman

Francis Santos
Vice Chairman

Judith Guthertz
Treasurer

George Bamba
Secretary

Simon Sanchez
Commissioner

Guam Waterworks Authority

Miguel Bordallo, P.E.
General Manager

Kelly Clark
Legal Counsel

Greg Cruz, CPA
Chief Financial Officer



Update on the Guam Waterworks Authority

GWA's system provides water to all of the civilian population of Guam and provides sewer service to a large percentage of the civilian population, Andersen Air Force base and several Navy facilities

- Significant investments in recent years have helped to improve operation of GWA's water and wastewater system
- GWA continues to make compliance with the 2011 Court Order a top priority
- 2014-2018 rate plan is fully implemented
- One-Guam Initiative between GWA and the Navy is exploring additional opportunities to coordinate operations of Guam's civilian and military water systems
- Resilient Water & Wastewater System
 - GWA has undertaken significant steps to ensure its above ground facilities are constructed to withstand typhoon conditions
 - Recently invested in back-up generators for most GWA pump stations to mitigate future weather related service outages

GWA Select Customer Statistics for FY2017

Average Number of Water Customers	42,205
Average Number of Wastewater Customers	29,065
Annual Water Sales (million gallons)	5,636
Annual Wastewater Collection (million gallons)	4,034



Update on Capital Improvement Program

GWA's upcoming CIP will focus on water production, treatment, distribution and storage including the construction of additional reservoirs to increase water storage capacity

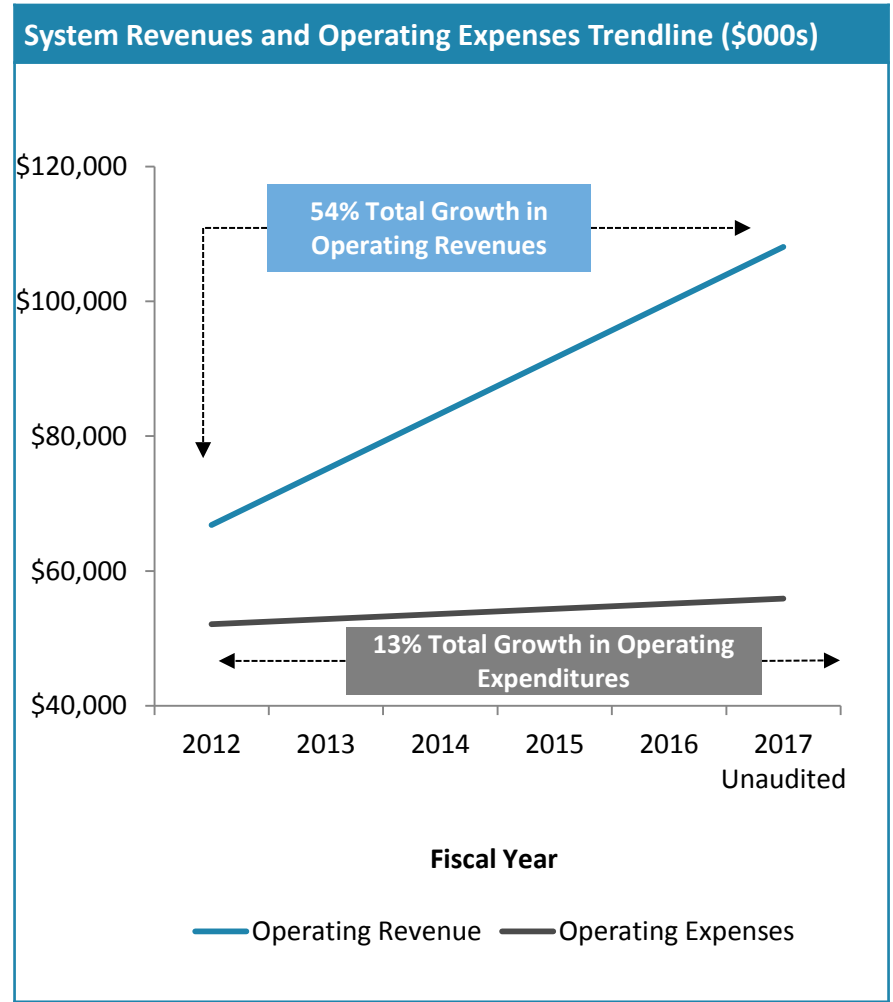
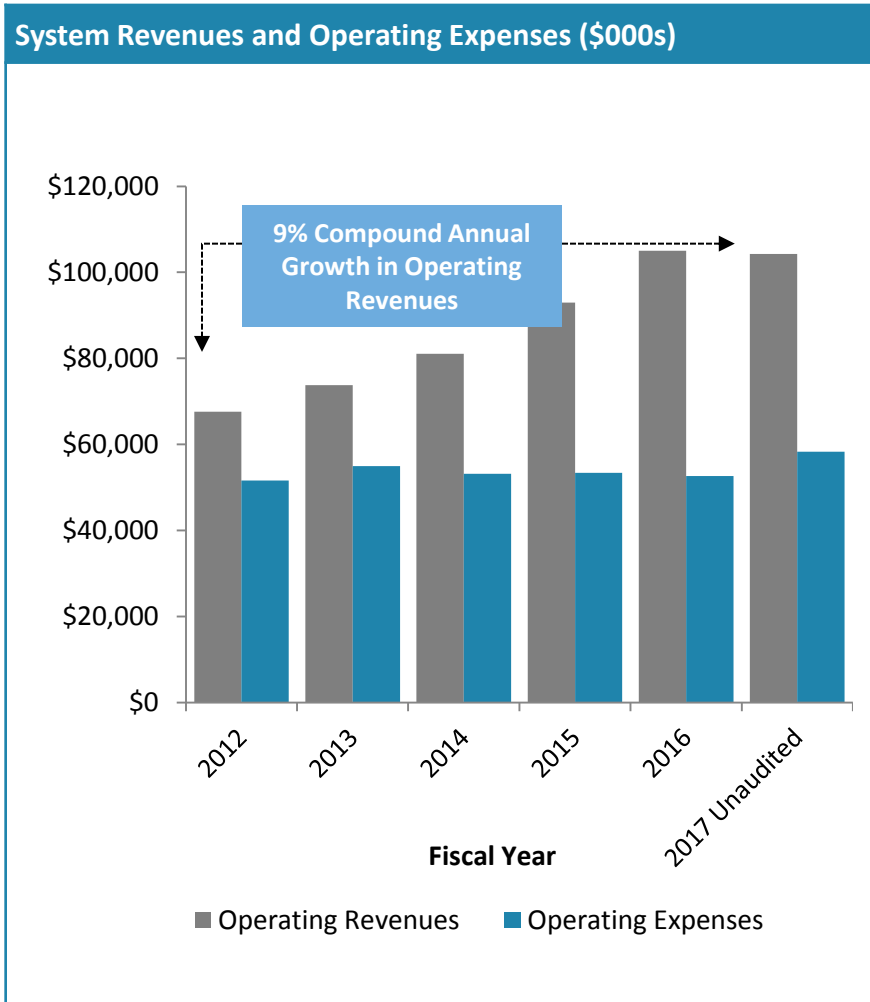
Description (\$000s)						
Capital Improvement Program	2016	2017	2018	2019	2020	Total
Water Production, Treatment, Distribution and Storage	\$44,421	\$36,490	\$55,518	\$28,250	\$10,000	\$174,679
Wastewater Collection and Treatment	12,335	63,179	12,246	-	-	87,760
Electrical, Including Monitoring and Control	3,911	3,150	2,914	-	-	9,975
General Plant and Miscellaneous	3,200	4,045	1,200	1,200	-	9,645
Total	\$63,867	\$106,864	\$71,878	\$29,450	\$10,000	\$282,058

Sources of Funds	2016	2017	2018	2019	2020	Total
Prior Bonds	51,145	64,369	23,378	-	-	138,892
Proceeds from the 2018 Bond Series	-	-	29,000	28,250	10,000	67,250
2012-2013 SRF Grant	3,475	17,000	8,000	-	-	28,475
SDC	3,300	5,994	500	-	-	9,794
Other Grants	948	-	-	-	-	948
Internally Funded CIP	5,000	19,500	11,000	1,200	-	36,700
Total	\$63,867	\$106,864	\$71,878	\$29,450	\$10,000	\$282,058



GWA has Sustained Robust Revenue Growth with Minimal Expenditure Increases

Since 2012, GWA has managed to keep operating expenditure growth flat while operating revenues have grown more than 54%

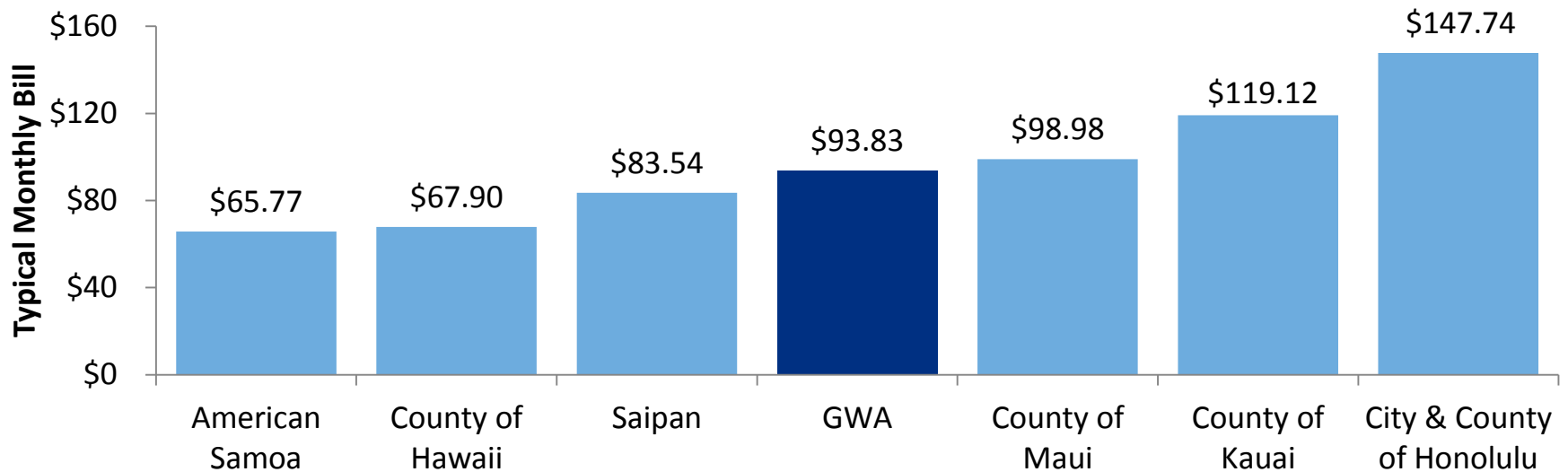


Note: Information for Fiscal Year 2017 is based on actual unaudited data.

GWA's Residential Rates and Customer Collection

While GWA has implemented the necessary rate increases to support its capital program, a typical monthly water and wastewater bill is in line with other comparable island utilities

Typical Combined Monthly Water and Wastewater Bills for Residential Customers
(Based on 7,500 gallons of Usage)

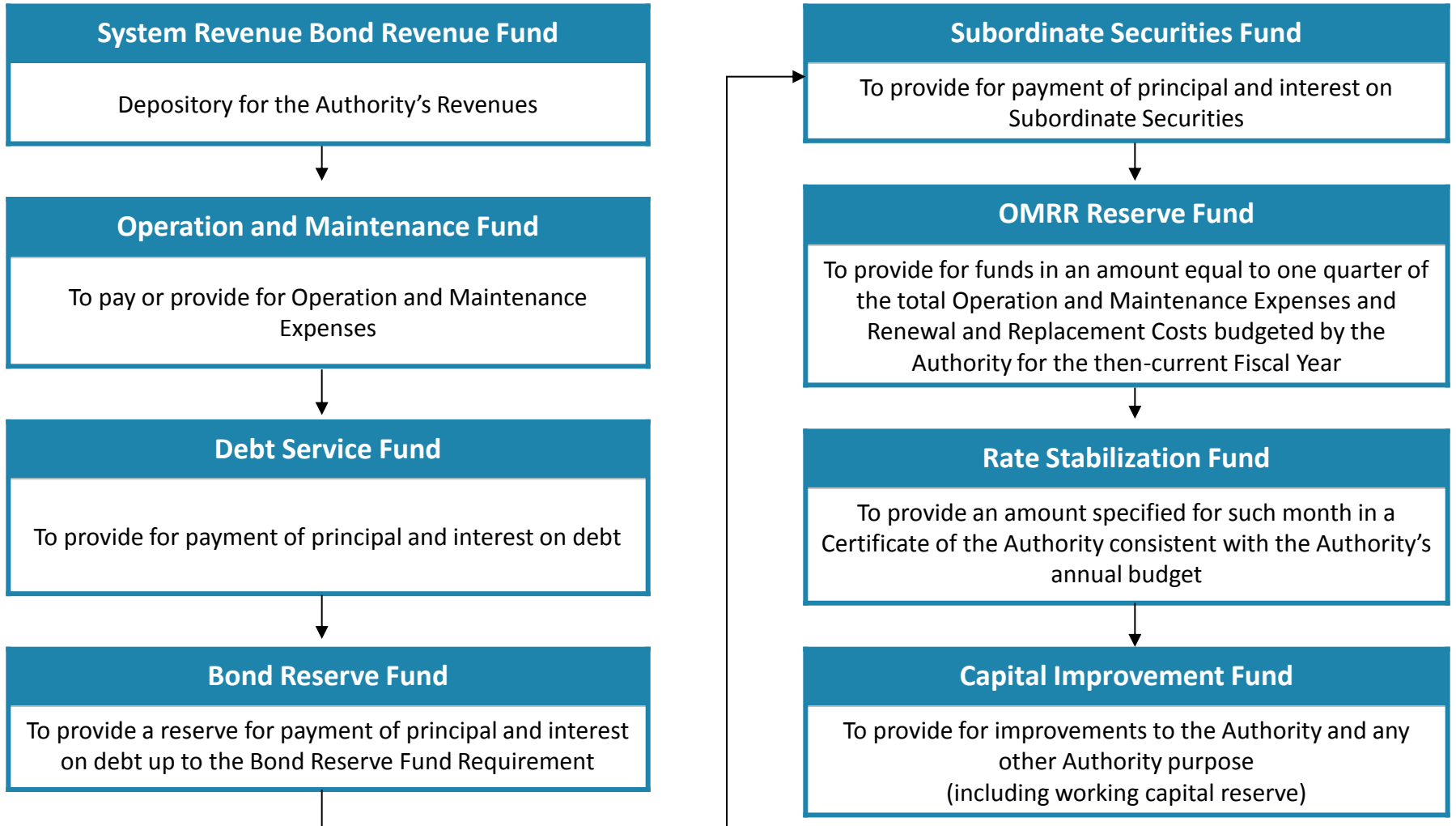


- Since 2012, GWA has averaged a cash collection ratio of 96% and expects a continuation of high collection levels into the future
 - GWA had a collection of 97% in FY 2017, which includes all government, commercial and residential customers



Flow of Funds Pursuant to the Indenture

The deposit and allocation of Revenues is shown below in order of priority



Series 2017 Bonds Plan of Finance*

GWA plans to refund approximately \$109 million of outstanding debt for economic savings

Plan of Finance*	
Par:	\$110,180,000*
Series Refunded:	All or a portion of GWA's callable Series 2010 Bonds
First Interest Payment Date:	July 1, 2018*
First Maturity:	July 1, 2019*
Final Maturity:	July 1, 2040*

- Refunding for economic savings
- No extension of existing bonds' amortization
- Maintains GWA's existing debt profile

Estimated Amortization*	
July 1	Principal*
2019	120,000
2020	125,000
2021	2,120,000
2022	2,225,000
2023	2,335,000
2024	2,455,000
2025	2,580,000
2026	2,710,000
2027	2,845,000
2028	2,985,000
2029	3,130,000
2030	3,290,000
2031	3,450,000
2032	3,630,000
2033	3,805,000
2034	3,995,000
2035	4,195,000
2036	11,615,000
2037	12,195,000
2040 Term Bond	40,375,000
Total Par:	\$110,180,000

* Preliminary and subject to change



Financing Schedule and Contact Information

Tentative Schedule*	
November 15 th , 2017	Pricing
December 14 th , 2017	Closing

Contact Information	
Guam Economic Development Authority	
<p>Jay Rojas Administrator jrojas@investguam.com</p>	<p>Christina Garcia Public Finance Manager cgarcia@investguam.com</p>

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Barclays Co-Senior Underwriter
<p>Sean Keatts Director sean.keatts@barclays.com</p>

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