

S&P CreditWatch Removed on the Government of Guam General Obligation and various Certificates of Participation; Ratings Affirmed with a Stable Outlook **September 8, 2018**

On September 6, 2018 (US Mainland time), S&P Global Ratings affirmed its “BB-” long-term rating on GovGuam’s General Obligation Bonds and its “B+” Long-term rating on GovGuam’s Certificates of Participation and has simultaneously removed the “CreditWatch” with negative implications placed on GovGuam on March 5, 2018.

The removal of the CreditWatch and the affirmation of the rating is attributed to the successful efforts of Governor Calvo’s Fiscal Team in working with the Guam Legislature on addressing the FY 2018 and FY 2019s shortfalls stemming from the Tax Cuts and Jobs Act (TCJA) of 2017. The cooperative action taken to deliver a balanced budget and prevent deficit spending is evidence to S&P that GovGuam is committed to fiscal responsibility.

The report covered the events that occurred during this very challenging process, making reference to the July 2, 2018 veto of the 2% sales tax legislation that was signed into law in March 2018 as part of the fiscal realignment plan. The report further references the various bills discussed during the many legislative sessions, taking note that it took several weeks to deliver a balanced budget for FY 2019 that addresses the estimated \$140 million shortfall caused by the TCJA.

In a statement, Governor Eddie Baza Calvo staid, “I would like to express my appreciation to our bond stakeholders who have been waiting patiently for us to resolve the extreme financial challenges we faced with the Federally implemented Tax Cuts and Jobs Act of 2017. I congratulate my fiscal team who has worked hard to implement cost-cutting measures and thank those Senators of the 34th Guam Legislature who supported a revision of tax policy that has not been changed for decades. We are committed to ensure the Government of Guam remains on a strong financial footing for years to come.”

What further helped the rating was GovGuam’s transparency, cash flow management, stricter financial controls, more realistic budget assumptions and greater fiscal discipline. “Our bond ratings are a reflection of our ability to rise above the politics and make the hard decisions for long-term financial stability,” said Jay Rojas, GEDA Administrator. “Our leaders need to be cognizant of the commitments we made to our bond stakeholders in addressing our financial challenges in a timely and responsible manner.”

The S&P report also recognized the health of Guam's tourism sector, highlighting the positive results in our efforts to bring back tourists after the North Korean threats last August. This is evidenced by the monthly growth of arrivals from Japan and Korea over last year results as well as the recent increase in direct airline seats to Guam.

With the long awaited military build-up finally gaining momentum, the report acknowledges that this will also be a positive impact on the island's economy. It further states that the resolution of the H-2B visa denial for foreign construction workers will only pave the way for even greater economic impact.

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