

GUAM CHAMBER OF COMMERCE
GENERAL MEMBERSHIP MEETING
BY GOVERNOR FELIX P. CAMACHO
Wednesday, March 25, 2009

Håfa Adai! Thank you for allowing me to speak before you today. I want to extend my appreciation to President Reina Leddy and Chairman Frank Campillo for this generous invitation.

As many of you know, this is a critical time for our island on many fronts...the decisions we make now will affect the lives of future generations. Today, I want to share with you how my administration continues to address three important issues that will undoubtedly affect the future of our island.

I want to thank the members of your executive committee for meeting with me over the last few months. Many of you have shared with me the thoughts of our business community.

We are all aware of the global economic crisis, and although we may be thousands of miles away from the largest and most powerful countries in the world, the unstable nature of our global economy has a profound effect on how we live our lives.

Global issues aside, there is one dilemma that has been plaguing our community and generations of leaders. It threatens our environment, consumes our financial resources and may possibly jeopardize critical areas of service to our people.

This long-standing issue is the closure of the Ordot Dump and opening of a new landfill. This is the most critical issue facing our island.

I will not talk about the genesis of the landfill situation because that could take up all of my time here. I will even try not to engage in the blame game.

I will speak about what matters. What matters to many of you here, those at work, at home, at school and the leaders of our island, is what we are doing to solve this problem that has taken too much of our time and money, and may cause further grief to the people of Guam...

The biggest problem in the world could have been solved when it was small.

If the Legislature granted this administration the authority to seek Section 30 backed bonds for the financing of the landfill in Bill 51, there would be no penalties.

As of last week Friday, Federal District Court Judge Francis Tydingco-Gatewood held this government in contempt and ordered us to pay \$3.9 million dollars, which we did two days ago. We made that payment using funds from the collection of Gross Receipt Taxes, as well as other sources of funding previously set aside, mainly general fund revenues.

As the head steward of this island's resources, I am committed to bringing closure to the dump issue once and for all. In doing so, we must keep in mind the requirements of a Federal Judge and, above all, the well-being of our community.

The \$3.9 million dollars recently paid, as a result of the court order, would have been used to pay for MIP, tax refunds, overdue vendors and other outstanding debts. Sadly, these monies were used to comply with the court order and thus further grew our deficit.

Next week, and every week after that, this government is required to pay \$1 million dollars a week. For many of you in here who own businesses, this takes away from money that should be in the hands of our people who spend on services or products you provide.

It is not hard to comprehend what that type of payment would do to our government; to the critical services we provide our people such as health, education and public safety. We are not able to afford additional payments without making cuts somewhere. These cuts will surely impact our daily lives.

When we talk about furloughs, layoffs and the reduction of work hours, it is not meant to falsely alarm our people, but it shows the reality of the road we are on and the gravity of each decision we make. All three branches of government will be negatively affected.

Government of Guam revenues at the end of February reflect a 2% reduction in projected revenues. Further compounding this, is the sanction of the \$1 million a week court-ordered payment by the U.S. District Court.

Legislative policy is non-compliant with the court's desire to properly fund the landfill in Layon. While the court wants bond financing backed by Section 30 money, the Legislature instead granted bond financing backed only by its designation as a general obligation.

This legislative action, in its finality, made it that much more difficult, if not impossible, to market any bonds. Public Law 30-1 also put this government in a dangerous financial position. Section 6, of the law, denied me from paying the \$1 million a week court-ordered payment. In turn, the supremacy clause was invoked, declaring that section unconstitutional and allowed our government to pay the \$3 million, as ordered by the court. To date, we are still required to pay \$1 million a week for the construction of the landfill.

What I find extremely troubling, is the attitude of the majority at the Guam Legislature. This could all have been avoided if they just complied with the court. Instead, an attitude of defiance, anger, pride, and arrogance prevails. This will now affect not only GovGuam operations, but will trickle down to all of you and the people of Guam.

While the Guam Legislature seeks to fund outstanding COLA, EITC, and Tax refunds, our ability to borrow the money to do so may be jeopardized. It is a matter of financial liquidity. Even as we have met the \$3.9 million payment on Monday, the question about our ability to make future payments remains uncertain. How GovGuam responds will most likely determine how Standard and Poor's, and other rating agencies, view Guam's bond rating.

At stake is our ability to provide critical services to our community. It was not long ago that GovGuam was put on credit watch for having to borrow money to pay for government operational expenses. The only way to avoid any further drastic measures on the executive and judicial branches will be to comply with the courts order in its entirety.

I have called the Guam Legislature into special session to address a bill that I have proposed that complies with the court order. The bill restores Section 30 money as a backstop and removes the

requirement for any additional legislative action approval for public-private partnerships, or the bonds themselves.

The correspondence from the court, its contempt order on this government and the sanctions imposed over the past couple of days, has essentially jeopardized any chance of the government going to market, even if market conditions were such that we could issue bonds. The disclosure of the potential that GovGuam may be illiquid in a matter of months would be devastating and investors would not want to buy GovGuam general obligation bonds, Section 30 bonds or bonds secured by both.

Investors are already skeptical of buying low to non-investment grade bonds without all of that disclosure. All events will be a disclosure item and with that type of disclosure, any bonds will not be marketable. The only way we will be able to go to market is to fix this quickly and comply with the court's orders. To challenge the court any further in the Ninth Circuit Court of Appeals, with regard to the supremacy clause, will put GovGuam further away from going to market for bonds and will only cost us more money.

Senators must realize that their agenda for COLA, tax refunds, the JFK lease authorization and other initiatives requiring public financing, are all at risk. They must comply with the court order.

As Governor, I am doing everything in my power to avoid placing this on the backs of our GovGuam employees. However, the reality is that I need the Legislature's help in passing a bill that will satisfy the federal judge's order and not send our local economy into a tailspin.

This bill sits in the Legislature's hands and I, once again, call on them to pass it. It must be passed without changing the true intention of the bill. Delays will only mean more harm to the public sector, which would trickle down to all of you.

In addition to the legislation that I submitted, we are pursuing funding contained in the American Recovery and Reinvestment Act, or the stimulus bill. We have identified a funding source to address the closure of Ordot and the opening of a new landfill, which would come from the U.S. Department of Agriculture.

This loan application will be submitted this week. If approved, this USDA loan will provide us with \$170 million to open the new landfill and close the Ordot dump. I have asked the Secretary of Agriculture to make several federal provisions applicable to Guam by designating us as a Substantially Underserved Trust Area, thus increasing our chances of receiving the loan and at a lower interest rate.

Our approach also includes moving forward with a public-private partnership. We have engaged the services of a UCLA professor who is well respected by the USEPA and the solid waste industry. He has agreed to assist us in the write-up of the Request for Proposal. This proposal will include all necessary funding requirements and the timelines imposed by the consent decree.

The Guam Chamber of Commerce has stood with me, and I ask that you stand by me again. I need your support in requesting that the Legislature comply with the court orders, while I attempt to find alternative financing through public-private partnership, federal grants and federal loan assistance.

We cannot do this alone... I ask you to contact your senators and make it clear to them that we MUST reach a sensible agreement. The very issues that are important to many of our policy makers

and our people are right now being affected by the amount of money we are required to pay. This is money that will not be circulated into our economy at this critical time.

Paying the \$3.9 million, and the possibility of paying \$1 million a week, pushes us even further behind in paying COLA, EITC, tax returns, MIP, outstanding vendor payments and other entitlements.

The Legislature must be mindful that we do not have the luxury of time. They must act now. They must stop wasting time in further delaying this issue. Choosing not to act is not only unacceptable, but it is irresponsible.

The importance of resolving the dump issue is further magnified when considering our future and the need to prepare for the impending Guam Buildup. According to a recent survey sponsored by the Chamber, an overwhelming majority of Guam residents support an increase in military presence.

This buildup is expected to bring with it many great opportunities and we are dotting our “i’s” and crossing our “t’s” to make sure that we maximize this once-in-a-lifetime opportunity. We have worked together on this initiative and we will continue to do what is right for our future.

I want our children and grandchildren to look back at this time in history and realize that we considered each option carefully, realized every opportunity, and made the best decisions possible to give them a sense of security and the opportunity for prosperity.

I must reiterate this administration’s stance that Guam will not bear the cost of the military buildup alone. If you do not ask, you do not get. If you do not know what you want and do not think that you are deserving, you are not starting a good foundation for yourself. We will do our part and we will require that a federal commitment be made to support this national policy.

There is a saying by Henri Nouwen: “We cannot make it rain, but we can see to it that the rain falls on prepared soil.” Make no mistake, the Guam Buildup will take place. Thus, we continue to take the appropriate steps to prepare for it.

A critical area associated with the buildup is our ports of entry. I am proud to say that our government has made, and continues to make great improvements and upgrades. I want to thank many of you for “knocking on the doors” and participating in the CMTF. With your help, we continue to make progress.

The Antonio B. Won Pat Guam International Airport has already started the expansion of runways and taxiway projects and will soon be prepared to receive flights from Asia to the mainland United States via Guam. Our airport has also developed its air cargo distribution facilities, making available nearly 200,000 square feet of cargo facilities, thus bringing our regional distribution center initiative to fruition. The projects that are already completed or underway bring confidence that the airport is capable of handling current and future transportation demands; further building on what will be the next pillar of our economy.

The vision of a world-class seaport is no longer a dream. It is a promise to Guam and her future that becomes more and more of a reality with each accomplishment. The Port Authority of Guam serves as the entry of 95% of the goods that our residents and businesses need. To help improve efficiency and service for the future, they have added three gantry cranes, which will be fully operational next month.

Just yesterday, we broke ground on the Wharf Upgrade and Replacement of the Gantry Crane Rail System. This will help ensure efficient operations and safety for our Port employees. The port will have the capacity to handle the increased seaport activity that is expected to come with the Buildup.

All of these accomplishments indicate that we are doing our part. We are being mindful, decisive and resourceful as we prepare our island for the future. We have actively sought out and received federal funding to help expand and improve services to our people. Here are just a few:

The Department of Administration recently secured a grant for \$700,000 to improve the department's records management capability, human resource systems and financial management systems. This money includes \$100,000 to the Department of Revenue and Taxation to improve the department's online filing service, making the filing process easier for the taxpayer. The Bureau of Information Technology received \$360,000, allowing them to execute an agreement that provides them with the Geographic Information System technology that will analyze and disseminate information using the latest technology.

I would like to announce funding we received through the Department of the Interior's 2009 CIP grant. Through this grant, more than \$4.8 million dollars will be dispersed to seven different agencies:

Guam Community College Allied Health	\$ 943,000
Southern Regional Health Center Renovations	\$ 388,000
Guam Public Library IT Room	\$ 49,000
Guam Power Authority Wind Turbine Project	\$ 1,000,000
Department of Youth Affairs Facility	\$ 200,000
University of Guam ADA Compliance	\$ 260,000
Port Authority of Guam RTG Crane	<u>\$ 2,000,000</u>

In the midst of our nation's financial crisis, securing this kind of money is truly a blessing.

Nevertheless, the opportunities to seek additional funding do not stop there. Last month, President Barack Obama signed into law the American Recovery and Reinvestment Act of 2009. This economic stimulus package seeks to assist states and territories through this financial crisis by boosting our economies.

I have called on the Bureau of Budget and Management Research to take the lead on identifying opportunities to draw in funds from the stimulus bill. This stimulus bill will provide at least \$140 million dollars in formula grants for capital improvement projects in education, infrastructure, subsidies for healthcare benefits, energy conservation, workforce investment and public safety. Additionally, 60 million dollars in tax offsets will be afforded to Guam and other territories with "mirror codes" to the Federal Tax Code, lessening the burden of this mandate on the Treasury of Guam. Again, this will allow the total cost of Guam's tax credits to be covered by the United States Treasury Department.

We have to keep in mind that this stimulus package is a one-time infusion and the expectation is that these funds will be used to address operational shortfalls in Fiscal Year 2010. It is also expected to have a positive effect on revenue shortfalls. I can assure you that the funds we receive from the American Recovery and Reinvestment Act will go toward strengthening and improving the most essential government services.

I am committed to moving forward and doing what will benefit our people. As Governor, I will continue to create the conditions for success to emerge. If we work together, there is no obstacle we cannot overcome and no limit to what we can accomplish.

Never give in to despair, no matter how dark the storm clouds that surround us. We cannot accept the limitations of the present. We must strive to go beyond them and create something better. Always look to tomorrow. My pledge to you and to the people of Guam remains the same: to make tomorrow better than today. I thank you all again for your time and attention.

Si Yu'us Ma'ase and God Bless you.