



GUAM WATERWORKS AUTHORITY

Citizen-Centric Report for Fiscal Year 2014

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Our Mission

We will provide outstanding customer service in delivering excellent water and wastewater services in a safe, reliable, responsible, and cost-effective manner.

Our Vision

To be a world class provider of water and wastewater services.

Management's Commitment

Management recognizes that its employees are its most valuable resources.

Core Values

- Responsibility
- Reliability
- Integrity
- Service
- Safety
- Sustainability
- Excellence

Issued August 2015

About the Guam Waterworks Authority (GWA)

GWA is a public corporation subject to the regulations of the Guam Public Utilities Commission. Prior to 1996, GWA was known as the Public Utility Agency of Guam, a line department of the government of Guam. Since 2003, GWA has been governed by an elected five-member Consolidated Commission on Utilities (CCU).

GWA produces, treats, transmits, stores, distributes, and sells Guam's water. Guam's principal source of potable water is pumped by over 120 wells from groundwater contained in the aquifer beneath northern Guam. Surface water sources include the Ugum River, small springs, and Fena River water purchased from the U.S. Navy. GWA delivers potable water to over 41,000 account holders or potentially 123,000 persons on island.

GWA also collects, treats, and disposes Guam's wastewater. Guam's wastewater system consists of 315 miles of gravity sewer network, 74 sewer pump stations, and seven wastewater treatment plants and associated outfalls. GWA collects wastewater from approximately 25,000 account holders or 75,000 civilian persons as well as U.S. defense installations in the northern and central regions of Guam and up to 136,000 international visitors during peak months.

FY 2014 Financial Highlights

GWA closed FY 2014 with a \$7.9 million (M) decrease in net assets, primarily attributed to the increase in interest on bonds of \$6.5M. Operating income increased 201% from the previous year, going from \$5.19M to \$15.6M in FY 2014. A combination of factors contributed to the significant improvement

In FY 2014, operating revenues outpaced operating expenses in terms of proportion of growth from the preceding year. GWA saw operating revenues improve from \$74.8M to \$82.7M in FY 2014. Operating costs decreased from \$69.6M to \$67.1M in FY 2014, a 4% decrease from the previous year.

Water revenues increased by \$5.2M over the previous fiscal year due to a 15% increase in water rates. Wastewater rates increased by \$2.2M due to a 15% rate increase in sewer charges approved for the current year.

Operating expenses decreased by \$2.5M due to decreases in power purchases, contractual, depreciation, and salaries and wages.

On its report on compliance and internal controls, auditors identified one non-compliance finding pertaining to a procurement totaling \$48 thousand with a lack of documentation for procurement method used. There were no questioned costs identified in the FY 2014 financial audit. GWA received unmodified "clean" opinions on its financial statements and compliance reports.

Type	Our Customers	
	Water	Wastewater
Residential	38,335	23,344
Commercial	2,571	2,037
Government	404	259
Agriculture	345	-
Hotel	50	47
Irrigation	32	-
Golf Course	16	-
Federal	13	9
Total	41,767	25,697

Our Performance—FY 2014 Highlights

Fiscal Year 2014 marked a very busy year for your water and wastewater utility. All of this progress will not be possible without the hard work of our dedicated water and wastewater professionals at GWA. Below are a few of the highlights of GWA's performance over the past fiscal year.

2011 Court Order (CO)

- 86/89 projects required in 2011 CO are completed or on schedule
- USEPA has not fined GWA for any missed deadlines since issuance of CO
- Successful mgmt. of CO to EPA's satisfaction

Meter Installation

- 96% completed
- Meter accuracy continues to improve
- All remaining meters have been received and final phase installation is expected to be completed by November 2015

Utility Purchases

- GWA is continuing to decrease Navy water purchases
- FY 2013 power consumption down 9% from FY 2010
- 40% reduction in water purchases from FY 2011 to FY 2014

Secondary Treatment

- In connection with proposed military buildup, the DoD has proposed \$106.4M for secondary treatment upgrades at Northern District Wastewater Treatment Plant

Engineering Division

- Construction for second Barrigada 2MG tank project started
- Construction activities for Waterline Replacement Project Phase II installed nearly 8,000 linear feet of pipe
- Completed bid packaging for Southern Sewer Collection System Improvement project
- New high resolution areal for GIS program installed

Compliance and Safety

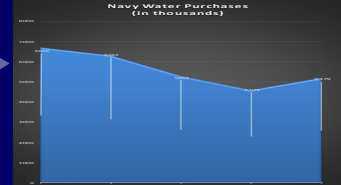
- Northern District and Hagatna WWTP CO compliant
- GWA compliance laboratory has maintained Certification for EPA Compliance Monitoring
- Completed Draft Wellhead Assessment with a proposed Wellhead Protection Plan

Water Maintenance & Operations

- \$35M in grant funds to rehabilitate water and wastewater system programmed
- \$4.1M in bond funds programmed for facilities to improve pump redundancy and electrical system performed mostly internally
- Reduced fleet vehicle fuel consumption by 50%
- Improved crew efficiency by reducing overtime by 35%

Utility Services Division

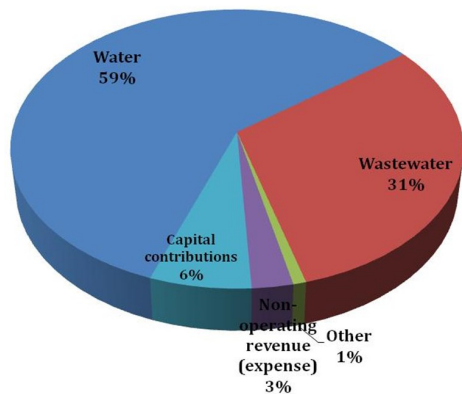
- Completed CO Meter Replacement Project in 06/2014
- A new Oracle Customer Care & Billing software application expected to improve service quality
- Improved customer service experience from three island wide customer service delivery points



Our Finances — FY 2014 Highlights

An independent audit was conducted by Deloitte & Touche LLP, resulting in a clean audit opinion. The Office of Public Accountability released GWA's audited financial statements on June 29, 2015. More information can be found on our website at www.guamwaterworks.org.

FY 2014 Revenue Sources (in thousands)

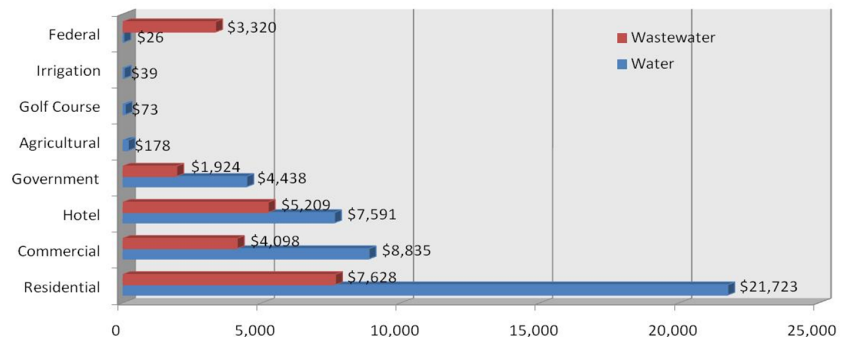


Operating revenues increased due in part to a 15% increase in water rates and 8.28% increase in wastewater rates during the fiscal year.

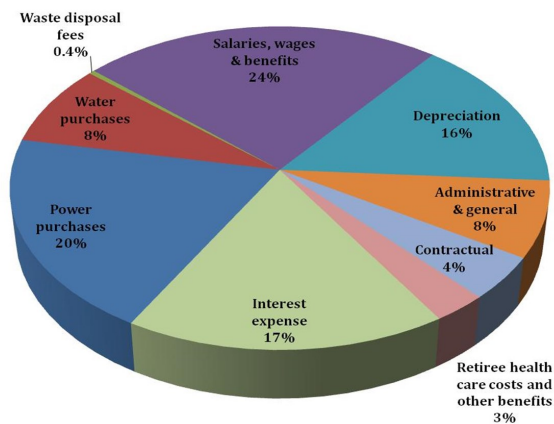
	FY 2014	FY 2013	% change
Operating revenues:			
Water	\$ 53,241	48,004	11%
Wastewater	28,906	26,696	8%
Other	574	101	470%
Non-operating revenues	5,578	5,184	8%
Capital contributions	3,560	4,481	-21%
Total	\$ 91,858	84,465	9%

Sources of Water and Wastewater Revenues by Customer Type (in thousands)

Water revenues for increased by \$5 million when compared to the previous fiscal year. Wastewater revenues also increased by \$2.1 million. Overall, water revenues increased by 11% and wastewater revenues increased by 8%.



FY 2014 Major Expense Categories (in thousands)



Operating expenses are generally driven by power, water purchases, and salaries and wages and account for two-thirds of operations and maintenance expenses. Overall, operating expenses decreased by \$2.5 million over the prior year. Non-operating expenses increased primarily due to bond issuance costs, interest expense, and loss on disposal of certain assets.

	FY 2014	FY 2013	% change
Operating expenses:			
Power purchases	\$ 16,426	17,508	-6%
Water purchases	5,179	4,571	13%
Waste disposal fees	1,494	989	51%
Salaries, wages & benefits	19,176	20,059	-4%
Depreciation	13,351	14,319	-7%
Administrative & general	6,235	6,007	4%
Contractual	2,681	3,734	-28%
Retiree health care costs and other benefits	2,519	2,418	4%
Nonoperating expenses:			
Interest expense	20,032	13,538	48%
Bond issuance costs	4,169	0	0%
Loss on inventory write-down	0	2,439	-100%
Loss on property, plant and equipment disposa	5,012	2,227	125%
Federal expenditures	2,590	1,981	31%
Others, net	861	180	378%
Total	\$ 87,093	83,144	5%



GUAM WATERWORKS AUTHORITY

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LOOKING FORWARD



Much like previous years, GWA's focus looking forward will be on water supply reliability, reduced dependence on Department of Defense Navy water supply, water quality, leak detection, line repair, meter replacement, preventive maintenance and complying with requirements of the 2011 Federal Court Order.

In addition to these priorities, GWA management has recognized a need for a stepped-up preventive maintenance (PM) program to ensure challenges encountered are mitigated in a timely manner. A major emphasis in ensuing years will be made by transitioning from a reactive maintenance approach to a proactive maintenance approach.

Operations and maintenance expenses for the most part will be influenced by an escalated PM program. These expenses include an increase parts inventory, critical parts and preventive maintenance parts in order to sustain a viable PM program; an accelerated vehicle maintenance and replacement program in response to increased demands for working vehicles; and filling of existing vacancies to allow GWA to perform the inspection, maintenance, and operation procedures set forth by the PM program.

A new financing in the amount of \$161 million planned for fiscal year 2016 in order to implement approximately \$129 million in capital projects pursuant to GWA's 2014-2019 capital improvement plan.

Other initiatives include funding capital expenditures through internally generated revenues to help reduce future borrowing and financing costs and continue utilization of a debt service reserve which helped GWA achieve the PUC's 1.75 times debt coverage ratio.

Discussions are ongoing with USEPA relative to secondary treatment, implementation costs and scheduling. GWA recently submitted to USEPA a financial capability assessment which is typically the first of several things leading up to a scheduling timeline for implementation. The first of a series of request for information anticipated was received by GWA in connection with the assessment.



We would like to hear from you!

Do you like this report? Do you believe it should include different or additional information? Please let us know by contacting Vincent Duenas at (671) 300-6850 or vincentd@guamwaterworks.org. More information is available on GWA's website, www.guamwaterworks.org

Location

Gloria B. Nelson Public Service Bldg.
688 Routh 15 Fadian
Mangilao Guam

Customer Service

(671) 647-7800/3
**Water Outages/
Leaks**
(671) 646-4211

Business Hours Monday—Friday

Upper Tumon 7:30 am to 6:00 pm
Fadian—7:00 am to 5:00 pm
Julale—8:00 am to 5:00 pm
Closed on GovGuam holidays

Report Fraud, Waste, and Abuse

HOTLINE (671) 647-4731
hotline@guamwaterworks.org;
**All information will be held in strict
confidence.**

