

Elected officials must make decision

Written by
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On Sept. 1, the Layon Landfill will have served Guam for one year. During that year, for the first time, Guam disposed of its solid waste in a modern landfill that meets all of the environmental standards for proper disposal of solid waste, protecting its water and air as never before. The new landfill has performed without any problems, and Guam has every reason to expect the landfill will continue to protect its environment for decades to come.

Communities throughout the United States pay for solid waste services in different ways. Some use tax revenue to pay for part or all of their solid waste services. Others partially pay for these costs from taxes while charging fees to the system's customers to pay for the rest of the cost.

All of the operating costs of the Layon Landfill, transfer stations and collection of residential trash are currently paid from monthly residential trash collection fees and tipping fees paid on each ton of most other waste disposed in the landfill. No tax dollars are used.

To date, all debt service for the new facilities has also been effectively paid through a combination of solid waste fees and borrowed funds, known as capitalized interest. Capitalized interest is money that was borrowed at the same time the construction funds were borrowed and from which the interest on the debt is paid during the construction and early startup period of the Layon Landfill.

Beginning in 2013, payment of debt service will no longer be possible without a significant rate increase, since the capitalized interest funds have been exhausted.

To finance construction of the landfill, in 2009 Guam borrowed \$120 million. To ensure the debt service is always paid, Guam made a commitment to use its Section 30 revenue to make the payment each year.

No debt service was due in 2009, the year the funds were borrowed. During 2010, almost \$8.2 million in debt service was paid, but this payment was from capitalized interest funds that were also borrowed, so Section 30 Revenue was not needed to make the payment. In 2011, debt service of approximately \$8.6 million was paid, with about \$4.1 million coming from capitalized interest and the balance, about \$4.5 million, coming from Section 30 Revenue. In 2012, the debt service amount is the same and will be paid from the same sources.

In each of these years, the government of Guam was fully reimbursed for the use of this Section 30 revenue from solid waste fees paid by Guam's business and residential customers.

Beginning in 2013 and succeeding years, the debt service will increase to about \$12 million annually because, in addition to interest, Guam must also begin repaying the debt. Since there is no more capitalized interest to pay any of the debt service expense, the entire \$12 million in debt service must be paid initially from Section 30 revenue.

Solid waste customers will continue to reimburse the government of Guam \$4.5 million of this cost; however, a significant increase in tipping fees and residential trash collection fees will be required if the government of Guam wishes to be reimbursed for the full \$12 million in Section 30 revenue that will now be required each year to pay the debt service. This is the issue currently before Guam's leaders.

The current rates are adequate to continue paying all of the cost of the solid waste system and \$4.5 million annually toward the debt service on the bonds. With or without a rate increase, customers of the solid waste system will continue to receive the high-quality services they have come to expect.

Without a rate increase, the receiver will also have the resources needed to continuing implementing the consent decree. However, if the rates are not raised, the government of Guam will be required to begin devoting an additional \$7.5 million in Section 30 revenue each year to pay the debt service on the bonds. This means the government will have \$7.5 million less to spend on other services for the people of Guam.

The receiver believes the decision about how to pay for debt service must be made by the elected officials of Guam, working with the Guam Public Utilities Commission. No matter what decision is made, the receiver and the employees of the Guam Solid Waste Authority will continue to meet the needs of Guam's solid waste customers while ensuring the protection of Guam's environment.

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