



Financial Highlights

Guam Economic Development Authority Financial Audit

Fiscal Year 2024

June 18, 2025

The Guam Economic Development Authority (GEDA) received an unmodified (clean) opinion in its Fiscal Year (FY) ended September 30, 2024 financial statements from Ernst & Young LLP (EY). EY opined that GEDA's financial statements are fairly stated, in all material aspects. In GEDA's Report on Internal Control over Financial Reporting, EY did not identify deficiencies in internal control that were considered to be material weaknesses. GEDA ended FY 2024 with a net position of \$21.5 million (M), or a \$4.1M increase compared to the prior year's net position of \$17.4M.

Revenues and Expenses Summary

Operating revenues increased by \$600 thousand (K) (or 14%) from \$4.2M in FY 2023 to \$4.8M in FY 2024. This was mostly attributed to the increase in Bond fees of \$421K (or 257%), from \$164K in FY 2023 to \$585K in FY 2024. In FY 2024, a total of 3 bonds were issued: the 2024 Guam Waterworks Authority (GWA) Refunding and Tender, the 2024 Guam Power Authority (GPA) Revenue Refunding Bonds, and the 2024 Guam International Airport Authority (GIAA) Bond Tender. Additionally, there was a \$240K (or 27%) increase in rental income, from \$873K in FY 2023 to \$1.1M in FY 2024. Although there were no new major leases and no significant renegotiations of existing leases, this increase is due to the adjustments made to comply with GASB issued Statement No. 87.

On the other hand, operating expenses decreased by \$1.2M (or 16%) from \$7.4M in FY 2023 to \$6.2M in FY 2024. This is mainly attributable to a decrease in legal and professional services by \$1M (or 68%) from \$1.5M in FY 2023 to \$480K in FY 2024. Travel expenses increased by \$115K (or 70%) from \$165K in FY 2023 to \$280K in FY 2024. The increase for this is mainly attributed to increased conferences, training, and bond meeting attendance. Office space and equipment rental increased by 48K (or 17%), from \$280K in FY 2023 to \$327K in FY 2024. Lastly, salaries and benefits increased by \$252K (or 7%), from \$3.6M in FY 2023 to \$3.9M in FY 2024. This slight increase was attributed to the increase in benefits and employees' salary increments.

Bond Market Update and Financing Summary

In 2024, the municipal bond markets showed signs of recovery, marked by record levels of new bond issuances, rising interest rates, and a return of strong mutual fund inflows. In FY 2024, key financings included the \$184.9M GWA Water and Wastewater System Revenue Refunding Bonds, Series 2024 A and B. The transaction attracted strong investor demand, with \$2.2 billion (B) in total orders from 41 investors, resulting in \$14.5M in net present value savings. The Series A Bonds closed on March 14, 2024, and the Series B Bonds on April 2, 2024. Additionally, GPA issued \$54.8M in Revenue Refunding Bonds, Series 2024 A, to refund a portion of GPA's outstanding 2014 Senior Bonds and to pay expenses incurred with the issuance of the 2024A

Senior Bonds. The transaction achieved \$6.6M in gross present value savings. The GPA 2024 Revenue Refunding Bonds, Series 2024A closed on July 31, 2024.

Bond Rating Agency Activity

In 2024, GEDA facilitated meetings with bond rating agencies to provide them with updates on Guam's economic and financial status. The General Fund and the Special Revenues Fund obligations remained "Stable" for FY 2024 from S&P. On the other hand, Moody's issued an investment grade rate of "Baa3" from "Ba1" with a "Stable" outlook. Moody's attributes the upgrade to "the significant improvement in the government's financial position bolstered by federal government support and substantial military construction activity, despite depressed tourism levels."

Loan Programs

GEDA operates two loan programs, the Agriculture Development Fund (ADF) and Guam Development Fund Act (GDFA). The ADF program's target market is limited to individuals, corporation and partnerships that engage in commercial agriculture businesses. In FY 2024, GEDA did not issue any new farm loans and was servicing a total of four loans. On the other hand, the GDFA program is designed to support businesses operating or planning to operate in key sectors such as agriculture, fishing, manufacturing, tourism, and their support industries. In FY 2024, GEDA approved three commercial loans totaling \$245 thousand (K). These loans primary support working capital and leasehold improvements. GEDA continues to monitor a total of 31 loans.

FY 2025 Initiatives

Guam Waterworks Authority (GWA) Short Term Construction Financing

At the request of GWA, GEDA issued RFP 25-001 soliciting proposals for firms interested in providing short term construction financing as authorized by Public Law 37-103. GWA is considering putting in place one or more programs for short-term financing of various capital projects, most of which are delineated in GWA's 2018 Water Resources Master Plan and listed in GWA's rate filing with the Guam Public Utility Commission. While the size and maximum length of the short-term financing obligations are yet to be determined, it may be noted that GWA's FY 2025 – 2029 rate application contemplated a five-year Capital Improvement Program of approximately \$898 million.

State Trade Expansion Program (STEP)

In March 2025, STEP funds were used to participate in the FoodEx Japan for the first time, one of the largest food and beverage trade shows in Asia, with two Guam companies exhibiting their made in Guam products. Following the trade show, GEDA also hosted a trade mission to Shizuoka, Japan to establish business to business partnerships. STEP funds were also used to host a virtual conference regarding topics related to business expansion towards export. GEDA was awarded \$150,000 in new STEP funds. These funds will allow GEDA to host export readiness trainings and an export conference, provide direct financial assistance to eligible local businesses, and support participation in trade shows and trade missions.

Additional Trade Missions and Trade Shows

Small Business Division (SBD) plans to use STEP funds and funds from the Western United States Agricultural Trade Association to support local companies' participation in the upcoming Tokyo Gourmet Show in September 2025. The long-term vision is to establish a sister trade city with Shizuoka and host annual Guam fairs and trade missions in Japan in an effort to encourage and support exporting of Guam products and collaborations between Guam-based and Japan-based companies. SBD also aims to secure funding through the Western United States Agricultural Trade Association to host another Japan Inbound Trade Mission in conjunction with the Guam Hotel & Restaurant Association's Pacific Hotel & Restaurant Expo, with the intent of bringing Japanese buyers to Guam to connect with local companies. Additionally, SBD is also planning to host another trade mission to Palau in FY 2025 in order to strengthen current export deals and to identify and secure potential new deals.

Challenges/Issues Affecting GEDA

In FY 2024, GEDA faced several significant challenges and issues, which had or could hamper its operations.

- 1. Unfunded Mandates:** Over the years, GEDA has been mandated by the Guam Legislature to perform duties that are not financially supported. Unlike line agencies, GEDA is not supported by Legislative appropriations, which imposes a financial burden to the agency. All expenses incurred by GEDA to meet the unfunded mandates must come out of GEDA's operating revenue. Some examples of mandates include the following: the used oil task force, the Tumon Bay parametric insurance task force, the intraregional commerce commission, task force on submarine cables, and three tax credit programs.
- 2. Revenue Constraints:** Majority of the commercial leases, a primary funding source for GEDA, were largely negotiated in the 1970s and 1980s with the goal of spurring economic activity. Despite achieving this goal, many leases are locked until 2065, generating insufficient revenue to sustain GEDA's operations and future initiatives. GEDA has entered into memorandums of understandings with GALC and the Chamorro Land Trust Commission to manage leased properties, but the success of these arrangements depends on the partner agency's board willingness to pursue economic development-driven leasing activities, the parameters of government leasing under the five-year law, and the strategic direction of various stakeholders including the oversight chair of land and the Office of the Governor. The agency found misalignment among different parties on numerous occasions in regards to entering into commercial leases.
- 3. Legislative Restrictions:** P.L. 32-40, later amended by P.L. 34-99, imposed a five-year limit on commercial leases, which had unintended consequences for GEDA. The law added additional requirements to public land leasing, complicating the process and increasing the time needed for compliance. This short lease duration makes GEDA's commercial leases on government-owned lands less attractive to potential developers.
- 4. Financial Management Role:** As the Central Financial Manager and Consultant for the government of Guam, GEDA had to record hundreds of thousands in write-offs from work done on anticipated financing requests not completed, primarily from failure to secure legislative support.

Management Letter

A separate management letter cited one other matters related to the following:

1. ***Allowance for Doubtful Accounts:*** EY noted that GEDA does not have an established policy in place for evaluating and determining the allowance for doubtful accounts in relation to its loan receivables. GEDA currently estimates its allowance using general assumptions rather than basing the amount on historical data, aging analysis, or other supportable metrics. As a result, the estimate lacks a clear, consistent, and substantiated methodology.

For more details, refer to GEDA's FY 2024 Financial Statements, Reports on Compliance and Internal Control, Management Letter, and the Auditor's Communication With Those Charged With Governance at www.opaguam.org or www.investguam.com.