

MEMORANDUM

TO: ADC BOARD OF DIRECTORS
TIM FORD
TODD HERBERGHS
TRISH JONES

FROM: MR. SCHLOSSBERG
MR. PERSKY, LEGISLATIVE ASSISTANT

DATE: MARCH 25, 2011

RE: BORDALLO ADDRESSES GUAM MILITARY BUILDUP IN SPEECH

Introduction

In her congressional address yesterday at the legislature in Hagåtña, Congresswoman Madeleine Bordallo said the military buildup on Guam is the most important challenge the island faces. In particular, Bordallo addressed two provisions in the National Defense Authorization Act: first, the fair-market value sale of Fena back to GovGuam for \$300 million and second, the Navy's 33% control over the Consolidated Commission on Utilities (CCU).

Bordallo noted the importance of having a united front when dealing with the federal government. "This is the summer of decisions on the build-up," Bordallo said, "I urge us all to put aside politics and remain 'One Guam' in our discussions with the military about the future of this realignment." This call to unity was particularly important for Bordallo, as the NDA provisions created significant political problems for her on the island. Bordallo said she apologized if senators "felt that I did not highlight these provisions in my discussions with the legislature, and in retrospect, we could have had a fuller discussion on these issues."

Bordallo sponsored the provision in last year's defense authorization bill to integrate the government of Guam and Department of Defense water and wastewater systems. She said the legislation did not follow the usual route and she was then unable to address provisions that may require GovGuam to pay for the return of Fena. Bordallo said she is opposed to both provisions. She agrees with local leaders that island ratepayers should not have to pay for the integration and consolidation of the two utility systems and also said she agrees with Governor Eddie Calvo and senators that the Navy should not sit as a voting member on the CCU. The congresswoman said that she would walk with "every member of the legislature to Fena to show unity and to help bring end to the final vestige of former naval governance on Guam."

Prior to her speech, unrest among the state legislature was so severe that there was talk of a legislative walkout on Bordallo's congressional address. Sen. Frank Blas Jr. said there was no walkout because senators wanted to give Bordallo an opportunity to explain what went wrong with the NDA provisions. Sen. Judith Guthertz said she was pleased by Bordallo's speech. "I could see that she has completely absorbed our message, that on her return to Washington, she

must do everything within her powers to undo this wrong-headed and unfair law's provisions, and I'll walk with her to Fena if that's what is necessary," Guthertz said.

Fena

The federal government's policy requiring payment of fair market value for the conveyance of federal assets was a challenging issue during negotiations on Fena, Bordallo said. The current fiscal environment made the matter even more important to the federal government. "Given this reality," Bordallo said, "we tried to find an appropriate way to offset this cost."

"Offsetting with unreimbursed Compact-Impact costs is one way to ensure that there is no direct payment from GovGuam to the Navy," Bordallo said. At the same time, she recognized that getting an adequate appropriation to cover this expense would be unlikely. As an alternative, Bordallo said "using Compact-Impact as an offset for the fair market value requirement is a way to get something of enormous value for Guam without having to make a cash payment to the Navy for the fair market payment of the assets."

Consolidated Commission on Utilities

Regarding Navy voting representation on the CCU, Bordallo said she agrees completely with other local leaders that the Navy should not sit as a voting member of the CCU. Bordallo recalled a March 15 dialog where she asked Assistant Secretary Pfannenstiel whether there is any other utility in America where the Navy has voting representation. Pfannenstiel replied in the negative. To the Guam legislature, Bordallo declared "We are not going to be the first!"

Bordallo cited the Guam Power Authority model, which was performance-based, as a preferable model. "I am hopeful that the Governor will be able to use the legislative authority in this provision to bring the Navy to the table to discuss, in a very serious manner, the future consolidation of the Navy and GovGuam's water and wastewater systems—at no additional cost to the Guam ratepayers."

Bordallo said she believes "that it is important to put the water issue on the table now because we have the attention at the highest levels of the Department of Defense on the Guam buildup."

Center for Island Sustainability

Bordallo commended the establishment of the Center for Island Sustainability at the University of Guam, which she said "will serve our people and the Department of Defense as a clearinghouse for analyses and studies of environmental issues surrounding the build-up."

Contracting Concerns

Bordallo talked at length about her concern that contracting processes favor off-island companies. She said that she will urge the Department of Defense, and the Navy in particular, to increase their efforts to promote small business contracting. “The Department of Defense can and must do more to make sure their procurement workforce follows currently existing regulations and makes extra effort to ensure local firms have a level playing field to compete for lucrative contracts,” Bordallo said.

In closing, Bordallo cited the interagency group of Inspectors General she created to oversee the implementation of the military build-up and said she will “call on them to ensure strict oversight of the entire build-up... I will continue to monitor this.”

E.W.P.

Attachment: Bordallo Congressional Address