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Guam's burden of debt

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Picture yourself as a consumer in this situation: For every $1 of assets owned, 95 cents of that same dollar is tied up in debt.

A consumer with a debt baggage that high compared with assets that low would probably be bankrupt by now. In general, your total monthly debt obligation should not exceed 36 percent of your gross income, according to Bankrate Inc.'s www.bankrate.com, a leading Internet site for financial rates and money management.

The upside-down financial picture showing a 95 percent debt ratio over assets is not that of a consumer - it's your local government of Guam, whose money management fared lowest in a scoring paid by the federal government to look at how well some of the U.S.-affiliated islands in the Pacific manage their money.

And here's another number to think over: For every dollar in debt and other liabilities, GovGuam only has 7 cents in cash or cash equivalents to draw from, according to the scoring analysis.

GovGuam's heavy debt load has taken a toll on island taxpayers, who don't receive their tax refunds on time. There have been some aging would-be retirees who died waiting for the local government to pay for their retirement pension to kick in.

"That's why we're always robbing Peter to pay Paul. Why do you think the tax refunds are so slow?" said Public Auditor Doris Flores Brooks, the first elected official to hold the title, when asked how the government manages its heavy debt burden.

Guam scored 2.86 based on a scale of one to 10, with 10 being the highest, in the fiscal 2004 review of some of the U.S.-affiliated islands' financial performance.

Guam should probably be in the scoring range of 5 to 6 for its financial management to be OK, Brooks said, but she also saw encouragement in that Guam's fiscal 2004 score is an improvement from 2.21 the year before and 2.04 two years before that.

Guam is doing better, compared to the two years before fiscal 2004, Brooks said.

And another good news from the latest scoring is that the local government did not increase its spending, said Brooks. But she said the "bad news" is the local government's inability to significantly pay down its debt.

The scoring used the Performeter method, developed by Frank Crawford of Crawford & Associates of Oklahoma City. The same analysis is being used to look at the financial performance of American Samoa, the Commonwealth of the Northern Mariana Islands and the Republic of Palau.

The overall rating can be used as a collective benchmark of financial health and success of GovGuam as a whole, according to the Performeter analysis.

Andy Jordanou, lead financial adviser in Gov. Felix Camacho's administration, was provided a copy of the analysis. He was unable to comment yesterday because he was in the middle of meetings and didn't have the analysis with him. He's expected to answer questions today, said governor's office spokeswoman Bernadette S. Meno.

Brooks did not have the authority to release the results for the analysis of each island, but she did confirm that Guam scored lowest, and American Samoa scored highest, in the latest reviewed fiscal year.

Although the analysis might sound like the same way American consumers are evaluated for their ability to borrow money using the FICO score, it's not quite like that.

While the FICO score is what banks follow to assess whether to give you a car loan, a home loan or a personal loan, the Performeter analysis is not something the bond market - a local government source of borrowed money - would usually look at to gauge credit-worthiness.

The Performeter gauges an entity's performance in handling money and quantify the results in a way that regular, non-financial experts would understand, Brooks said.

The Performeter also should not be used as the only source of financial information to evaluate GovGuam's financial performance and condition, according to Brooks' office.

TO THE POINT

s The government of Guam scored lowest among the U.S.-affiliated Pacific island governments whose financial management was analyzed under efforts paid for by the federal government.

ON THE NET

s To view the financial management analysis of the government of Guam, log on to: www.guamopa.org

BY THE NUMBERS

s At the end of fiscal 2004, GovGuam's long-term debt translated into $4,462 for every Guam resident, which is considered a high debt burden on its citizens. This is an increase of $1,665 from the prior year of debt per capita of $2,807, due in large part to additional long-term debt related to landfill and pension liabilities.

s At the end of fiscal 2004, 95 percent of GovGuam's total assets of $944.5 million were funded with debt or other obligations. This is an unfavorable financial indicator and indicates that for each dollar of assets GovGuam owns, it owes 95 cents of that dollar to others.

Performeter analysis

MONEY 101

QUESTION: How do you know you, as a consumer, have too much debt baggage?

ANSWER: In general, your total monthly debt obligation should not exceed 36 percent of your gross income. To calculate your debt-to-income ratio, multiply your annual salary by 0.36, then divide by 12, as in months. The answer is your maximum allowable debt-to-income ratio.

Bankrate.com

WHAT IS IT

What is the Performeter?

s An analysis that takes a government's financial statements and converts them into useful and understandable measures of financial performance.

s Financial ratios and a copyrighted analysis method are used to arrive at an overall rating of 1 to 10.

s The overall reading is a barometer of GovGuam's financial health and performance.

Office of the Public Auditor
