

Quarterly Report of the Receiver

Civil Case No. 02-00022

United States of America v. Government of Guam
Guam Solid Waste Authority

Prepared for:



U.S. District Court of Guam

Submitted by:



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March 5, 2015

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Guam Solid Waste Authority

Pursuant to the Order of the District Court of Guam (Court), dated March 17, 2008, appointing Gershman, Brickner & Bratton, Inc. (GBB) as Receiver for the Solid Waste Management Division (SWMD) of the Department of Public Works (DPW) of the Government of Guam (now the Guam Solid Waste Authority [GSWA]), we are pleased to submit to the Court this Quarterly Report ("Report"); covering the fourth quarter of FY 2014 and the first quarter of FY 2015. The purpose of this Report is to describe to the Court the progress made toward compliance with the Consent Decree for the period July 1, 2014, to December 31, 2014, and to outline the Receiver's recommendations for achieving compliance with the Consent Decree. As an integral part of this Report, the Receiver is also submitting the attached presentation entitled "Quarterly Report for Receivership for the Government of Guam, Guam Solid Waste Authority" (see Tab 2).

Introduction

During the six months covered in this Report, the work to achieve compliance with the Consent Decree has continued. The Receiver has made construction progress and continued construction management oversight for the Ordot Dump Closure and Dero Road sewer improvement throughout the reporting period to ensure that the Ordot Dump is no longer a source of future pollution. We also continued to oversee operations at the state-of-the-art, environmentally safe Layon Landfill, constructed pursuant to the Consent Decree, and we continued to operate solid waste and recycling programs and services for GSWA's customers, ensuring they are served in a timely and cost-effective manner.

During this reporting period, which was heavily impacted by challenging weather events, such as Typhoon Vongfong, we strived to continue the major progress of the previous reporting period in the environmental closure of the Ordot Dump. Construction of the Dero Road sewer line system, installation of covering systems over the eastern half of the dump surface area, the relocation of waste, the stabilization and covering of slopes, and the installation of leachate and stormwater management systems all progressed. By the end of the two quarters, construction of the eastside leachate perimeter collection line was completed, along with progress on the installation of the cover system, gas control systems, and the relocation of scattered waste. In addition, we continued environmental monitoring activities, including Layon groundwater and gas monitoring, leachate and marine water monitoring, and gas monitoring at the Ordot Dump. The new Harmon Residential Transfer Station and Household Hazardous Waste Facility, co-located in Harmon at the GSWA compound, was prepared for operations,

and the public comment periods for the permits for the Harmon Residential Transfer Station and renewal of the permit for the Layon Landfill were completed.

Also during the reporting period, GSWA's residential customer base increased to 17,094 at the end of December 2014. GSWA staff performed 448,230 residential trash collections, of which 99.66 percent were on time. The GWSA also oversaw operations at the three residential transfer stations and staffed both scale houses at the Hauler-only (commercial) Transfer Station and the Layon Landfill. Customer use of the Dededo and Malojloj transfer stations increased, while the number of customers using the Agat facility declined slightly. GSWA customer service staff responded to customer requests and account issues, and sent courtesy notices to customers behind in their payments. In the Island-wide Curbside Recycling Program, GSWA collected 979 tons of material for recycling during the reporting period. However, the heavy rain in October resulted in an increase in paper contamination, and customers also contributed to an increase in the contamination rate by placing non-recyclable materials in their recycling carts. The Bulky Item Collection Program, launched in September 2011, continues to be well received; during the reporting period, GSWA staff collected 2,176 items in response to 767 appointments. The GSWA Board of Directors held three meetings during the reporting period.

During the reporting period, procurement activities were primarily related to the procurement of legal services for the Receiver and GSWA while in Receivership, pursuant to the Order of the District Court. In addition, we issued a Request for Proposal to provide legal services to the GSWA Board as it prepares for the eventual assumption of responsibility when the Receivership ends. Contract negotiations with Unlimited Services Group, the best evaluated proposer to the RFP for an operator of the Household Hazardous Waste Facility, were also completed during the reporting period.

In the financial area, GSWA operating results for both three-month reporting periods were strong, with revenue 6.7 percent above budget and expenses less than one percent above budget in the July-September 2014 period. In the October to December period, expenses were substantially below budget estimates, while revenue was 3.8 percent above budget estimates. GSWA's cash position, while slightly less favorable compared to the first six months of 2014, remained strong. The fund balance from GSWA operations for the second half of 2014 will not be known until the annual audit is completed, however, we estimate the period ending in September 2014 will show a decline in the fund balance of approximately \$810,000 to \$13.1 million, and then an increase by the end of December 2014 of \$1.4 million to \$14.5 million.

Thanks to the hard work of GSWA staff, the residential delinquency rate remained low, at 1.8 percent, and the number of customers taking advantage of the GSWA's online billing and payment options continues to grow. Throughout the reporting period, we have monitored the Department of Public Works' (DPW) bridge and roadway repairs and replacements and collected data on the tonnage of waste disposed, which finished the year with a modest increase of about one percent. Despite a small increase in waste disposal from commercial customers, all other categories declined in waste disposal, except for Government and Other.

In this Report, we present the following updates for July 1, 2014, to December 31, 2014:

1. **Ordot Dump Closure**
2. **Layon Landfill and Consent Decree Projects**
3. **Operations of the Guam Solid Waste Authority**
4. **Contract Management and Procurement**
5. **Financial Issues and Capital Funding**
6. **Next Steps**

1. Ordot Dump Closure (July 2014 – December 2014)

The Ordot dump closure construction has two planned phases of work effort to complete. Phase I is the construction of the cover system over the eastern half of the dump and the complete construction of the Dero Road sewer line system. Phase II is the construction of the remaining cover system over the western half of the dump.

Phase I construction activities that continued or were completed throughout this reporting period included the following:

- Completed the installation of the perimeter leachate collection system
- Nearly completed the Dero Road sewer line system for startup operations
- Completed relocation and consolidation of waste on the eastern half of dump
- Installation of soil foundation layer for cover continued
- Installation of all geomembrane layers of the cover system continued
- Placement of geocell and coralline limestone ballast cover continued
- Construction of stormwater management systems continued
- Material submittal review, procurement and logistics continued
- Weekly construction progress meetings continued

Phase II construction activities initiated in the reporting period included the following:

- Relocation and consolidation of waste on south and west slopes
- The western leachate interceptor trench
- Mass earthworks along west sideslopes for perimeter roadway development
- Construction of stormwater management system on west side
- Installation of soil foundation layer on dump top deck and south side

Work during the reporting period also included monitoring for unexploded ordnance (UXO) on the construction site, environmental monitoring, and safety monitoring of the site and village roadways. The following sections describe the construction progress and coordination accomplished during the reporting period.

Closure Construction – Ordot Dump and Dero Road Sewer Improvements

Closure Construction – By far the most challenging period of closure construction has been these past six months we are reporting. Notwithstanding the ongoing construction tasks of Phase I, the above

average rainfall conditions for portions of the wet season proved to be an unpredictable challenge in terms of volume, frequency and impact on construction activity. This necessitated changes in the execution of the phased work where certain tasks of Phase I were postponed to be combined with tasks of Phase II and certain tasks of Phase II accelerated to Phase I to adjust for continued work in the wet season. These adjustments in the construction tasks are intended to allow the contractor to catch up some of the time lost due to poor weather conditions.

For the period ending December 31, 2014, several major construction tasks, as listed above for Phase I and II, are complete, nearing completion or made significant progress.

PROGRESS PHOTOS

JULY – South Slope of Dump from Southeast (LeoPalace Road)



DECEMBER – South Slope of Dump from Southwest corner



Eastern Perimeter Leachate Collection Line and Dero Road Sewer Line – The Eastern perimeter leachate line collects leachate from the toe of the slope of the dump and delivers it to the leachate collection tanks to be pumped out to the GWA Dero Road sewer line. It is one of the main work tasks of Phase I and also one of the more difficult, as it is located at the base of the dump slope in a constructed trench. All stormwater coming off the dump concentrates at this location which presents a constant challenge to keep the trench and excavation area dry for construction.

The Dero Road sewer line is a major construction project by itself. Late in the last reporting period, the contractor initiated a second sewer pipe construction team along Dero Road to significantly speed up the work. While this has added additional traffic congestion and some inconvenience to the residents, it has enabled a much faster work pace, so any traffic congestion and inconveniences was minimized.

Despite weather delays, uneven construction progress, inspections by GWA on Dero Road, and some delays related to the connection of power to the site and new pump station on Dero Road, the leachate line was completed by mid-December and the Dero Road sewer line was completed for operation in late January of this year. System operation was initiated on January 30, 2015 marking the first time any leachate from the Ordot Dump has been captured and properly disposed.

Cover Installation (Eastern Half) – Coinciding with the two major tasks described above, the cover over the eastern half of the dump needed to be in place to manage stormwater and prevent it from comingling with the leachate to be collected in the perimeter collection line. The cover system is composed of the following:

- 6- and 8-inch geocell infilled with coralline limestone gravel
- 250 mil Geocomposite drainage layer
- 60 mil Low Linear Density Polyethylene (LLDPE) membrane barrier
- 300 mil Geocomposite drainage layer
- 18 inch coralline limestone gravel protection layer

Figure 1. Landfill cover layers as they are constructed



Stormwater Management Systems for Phase I and II – Immediately following and concurrent with the cover installation is the construction of the systems to manage the stormwater on the site. The large slope down drains and conveyance channels and stormwater manhole and pipe conveyance systems are shown in Figures 2 and 3 respectively. The stormwater is conveyed to the four constructed stormwater detention ponds, which treat the stormwater by settling suspended sediments and store the stormwater, allowing it to slowly enter the environment as required by applicable environmental regulations.

Figure 2. Stormwater down drain on cover into an energy dissipater



Figure 3. Sixty-inch stormwater pipe and manholes on west side conveyance to Pond No. 3



Additionally, BCC has initiated construction of Phase II work tasks as outlined above, concentrating on earthworks, waste relocation and consolidation, and stormwater pipelines. The schedule for this work has been accelerated to make up some of the time lost due to contractor inefficiencies and poor weather conditions in Phase I of the work.

Earthworks and Waste Relocation – The first major step in the cover installation is to reshape much of the surface of each dump slope to create a uniform surface to accept the cover system, and a stable configuration for long term stability (see Figure 4). Work starts from the bottom of the slope and progresses upwards to create the perimeter access road and lower slope outside the waste area (see Figure 5). At the same time, waste is shaped and reconfigured, followed by the placement of coralline limestone gravel for the soil protection layer (see Figure 6). This work has advanced significantly in this reporting period.

Figure 4. West side existing slopes and benches too steep for a cover (July 2014)



Figure 5. West side earthwork to reshape waste (December 2014)



Figure 6. West side soil protection layer (Late January 2015)



Stormwater Pipeline – As with the east side, the west side has a main stormwater conveyance structure, a 60-inch stormwater management pipe segmented with manholes, for access and maintenance, that convey stormwater from the downdrains on the cover to the stormwater management ponds.

Western leachate Interceptor collection pipe - One aspect of the Phase II west side construction that is different from the east side is the fact that there are two leachate collection pipes. The different geology and varying elevations of waste on the west side necessitated two pipes in the design – a lower and upper perimeter pipe. Phase II work was advanced in this reporting period by installing the lower one ahead of schedule so that earthwork activities above it could proceed as soon as the weather conditions improved in January 2015. Figure 7 shows the installation of this lower leachate collection pipe along the west side.

Figure 7. West side leachate interceptor trench installation



We stated in the last report (October 2014) that the contractor was approximately 80 days behind schedule (as of September 1) as inclement weather continued to hamper progress. Concerted efforts have been underway to accelerate many construction activities, especially those of Phase II throughout the remaining reporting period (September through December 2014) which have resulted in marked progress. As of December 31, 2014, the contractor has caught up the schedule on several work activities but remains behind schedule by approximately one month. We continue to work with the contractor to increase production rates to meet the construction deadlines. We will keep the Court informed.

UXO Safety – No additional unexploded ordinance (UXO) has been identified since August 19, 2014. However, we continue to monitor for UXO whenever construction work is performed. When UXO is identified, it is properly removed and disposed through the military authorities on Guam. When construction is complete, we will compile a summary UXO report.

Post Closure Care Plan and Operations – The Ordot Dump Facility will be managed and cared for, for 30 years following the completion of construction and the start of the Post Closure Care period. The Receiver has worked with GEPA and EPA in this reporting period to further the review of the Post Closure Care Plan submitted in compliance with the Consent Decree and the Federal and Local regulatory requirements. In this reporting period, the Receiver has used bi-weekly teleconferences, technical calls, and meetings in San Francisco, on December 17-19, 2014 to facilitate this process. It is anticipated over the next two quarters, the Receiver will work to procure an operator to manage and care for the facility system when construction ends. A primary requirement of the procurement is to provide a Statement of Work for prospective operators to know what is expected for management and maintenance. The Post Closure Care Plan and associated gas collection system management and maintenance plans will be primary documents in the procurement package provided to prospective operators. At the time of this report preparation, we continue to work with USEPA to refine the Post Closure Care Plan and reach agreement on its estimated cost.

Dero Road Renovation Design – This work is presently on hold pending the Court's decision on this and related issues considered in the recent hearings on the Government of Guam's Financing Plan.

2. Layon Landfill and Consent Decree Projects (July 2014 – December 2014)

Access Road (Chalan Layon)

A remaining task with regard to historic preservation is the interment of the archaeological finds in the crypt along the roadway. This will be done with the guidance and approval of Guam's Historic Preservation Office (HPO). It has been a slow and painstaking process. However, we are coordinating with this agency to close out this remaining aspect of the work. At the time of this report preparation, HPO has provided reburial specifics and ceremony/dedication details. HPO has required paved parking spaces with Handicap and other signage at the crypt location along the roadway. We are working to contract the paving and the grass landscaping around the crypt to be ready in time for the ceremony.

Construction Management

During the reporting period, the construction management (CM) consultant, GHD, provided ongoing construction claim and dispute support as the CM of record for the Harmon Residential Transfer Station and Household Hazardous Waste Facility. The CM activities consisted of the following:

- Construction documentation and final reporting on the Harmon Residential Transfer Station and Household Hazardous Waste Facility
- Support with the documentation and resolution of the construction claim and dispute with Maeda Pacific Corporation
- Final construction punch list support

Other CM Services – Additional support was also provided by GHD to evaluate the leachate collection system's performance. This work, performed by GHD with support from Brown and Caldwell, included development of a detailed investigation of the leachate collection and conveyance system to the Inarajan Wastewater Treatment Plant (WWTP) after one year of operations, with recommended improvements to the system to enhance its performance and reliability. Remaining work to be completed includes the specification and installation of surge tanks at two pump stations. This work is anticipated to continue until its completion in subsequent quarters.

Design Support Services

Upgrade of Residential Transfer Stations – Guam's residential transfer stations have never been permitted as required by Guam law. GEPA is requiring that these facilities be permitted as a condition of the renewal of the operations permit for the Layon Landfill issued on January 28, 2015. Upgrades to these facilities are necessary to meet permitting standards.

At the present time, the 90 percent designs have been prepared. The project is on hold pending the Court's decision on the Government of Guam's Financing Plan. The projects are ready to proceed with procurement for construction when funding is available. It should be noted, however, that given the delay in these funding decisions, these projects cannot be completed within the transition timeline previously approved by the Court. A new procurement and construction timeline will be needed if funding is made available and the projects are authorized to proceed.

Environmental Monitoring and Compliance

During the reporting period, the Receiver continued to advance environmental compliance coordination with the U.S. EPA and GEPA by holding bi-weekly meetings and by regularly reporting data and results. These meetings provide coordination for all permitting and regulatory management of design and construction work necessary to fulfill the Consent Decree requirements for monitoring and reporting to the various agencies. We appreciate the continued support provided by EPA and GEPA representatives.

Sound environmental practices and permit conditions require extensive and ongoing monitoring of the GSWA facilities, particularly the Layon Landfill. In this section, we will discuss each area of monitoring and our plans to ensure compliance at the landfill as well as at the transfer stations.

Layon Landfill Municipal Solid Waste Facility and Title V Air Permits – Renewal permit applications for both these permits were submitted on May 19, 2014, six months prior to the expiration of the existing permits. This six-month time period allows GEPA to review the renewal application and conduct a public comment period prior to the expiration, however, if the renewal permit is not issued before the expiration date of the existing permit, the existing permit remains in force until a renewal is issued. In the case of these permits the 45-day public comment period was publicly advertised and conducted from October 8, 2014 to November 21, 2014. Based on communication received from GEPA, there were no comments provided during the public comment period. GEPA maintained communication with the Receiver in the development of the final renewal permit and issued both the Facility Operations permit and Title V Air permit on January 28, 2015. The emergency generator at the facility was included in the permit application for the Title V permit, however, GEPA has chosen to separate the emergency generator permit and issue it separately. We expect to receive this permit from GEPA in the next quarter.

The Layon Landfill Solid Waste Operations Facility and Title V Air permits contain certain conditions. During operations, the landfill operator, under the oversight of the Receiver, provides permit reporting, supported with information from the third-party environmental compliance consultant, who monitors stormwater, groundwater, gas, surface water and leachate characteristics. The Receiver and operator have worked diligently with GEPA and EPA to comply and remain up-to-date with all required permit conditions.

Layon Groundwater and Site Monitoring – The first semi-annual sampling event for Operations Year No. 4 (beginning in September 2014) was performed in mid-December 2014. The report is pending and is anticipated to be delivered in early March 2015.

Inarajan Wastewater Treatment Plant (WWTP) – During the reporting period, leachate and marine water sampling continued in accordance with the work plan. Leachate characteristics are now monitored bi-monthly, and the performance of the Inarajan WWTP is evaluated based on GWA sampling of influent and effluent when available. Marine water monitoring at six sample locations is also being performed on a quarterly basis for all parameters. There has been no recent GWA effluent sampling results to understand the plants' recent performance, however, marine water results indicate water quality consistent with background locations, and leachate quality remains consistent. The leachate volumes reported by both the Landfill Operator and GWA are consistent with few discrepancies. We will continue sampling for leachate and marine water quality in the future quarters at the current frequency and coordinate with GWA to confirm reported volumes treated by the WWTP. Reports are distributed to GEPA, GWA and EPA regularly.

Residential Transfer Station Facility Permit Compliance –No progress was made in this area during the reporting period. The projects remain on hold pending resolution of the funding issue.

Household Hazardous Waste Facility and the Harmon Residential Transfer Station – The facility opened its doors for residential customers on January 23, 2015. The Household Hazardous Waste Facility, which is co-located with the Harmon Residential Transfer Station, houses the Household Hazardous Waste Collection Program. This facility constitutes a significant condition of compliance with the requirements of the Consent Decree. The Consent Decree requires the Government of Guam to create capacity to collect and properly dispose of household hazardous waste on the island.

As we previously reported, the facility was substantial complete 201 days after the date required by the contract. The contract requires that Maeda Pacific Corporation pay liquidated damages of \$3,300 for each consecutive day the facility is late. After careful consultation with legal counsel, on September 24, 2014, the Receiver filed a claim for liquidated damages in the amount of \$663,300 against Maeda Pacific Corporation. We have credited \$506,783.39 in payments owed to Maeda Pacific Corporation against this claim; leaving a balance owed of \$156,516.61. Maeda has decided to contest this claim, sending a response to the claim with a counter settlement and statements to support an alternate completion date. The Receiver is responding to Maeda's interpretation of the contract completion date. The dispute will be resolved pursuant to the mandatory dispute resolution clause included in the contract.

The draft solid waste operations permit for this facility was issued for public comment on September 23, 2014 for 45 days. This comment period ended on November 7, 2014 and no comments were received from the public. Subsequently, GEPA finalized this permit and it was formally issued on January 16, 2015. This facility is now in operations in the present quarter, and its performance will be discussed in the next section of this report on Operations.

As the Court will recall, the Receiver submitted a special report expressing concern about an unexplained delay in the issuance of this permit. The Court subsequently issued an Order requiring either issuance of the permit or a declaration from the Administrator of GEPA explaining the reason for the delay. While the permit was issued within the time-frame set by the Court, the Administrator also submitted a declaration to the Court explaining the delay from his perspective.

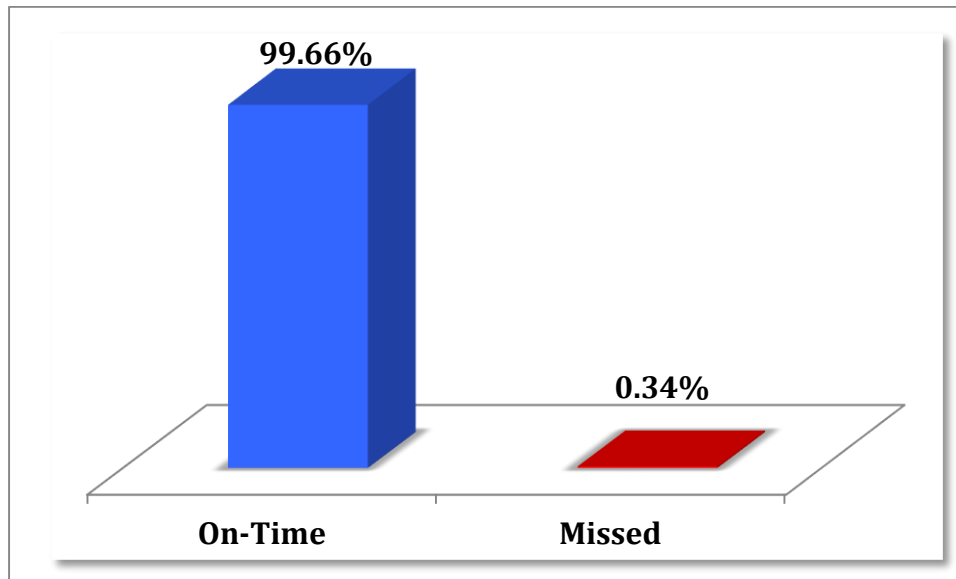
The Receiver recently received an email from Karen Ueno of USEPA which describes the explanation provided to the Court by the Administrator of GEPA as "an unfortunate mischaracterization of the facts". This email is submitted to the Court as Tab 3 to this report, for the Court's information.

3. Operations of the Guam Solid Waste Authority (July 2014 – December 2014)

Weekly Residential Trash Collection

At the end of December 2014, GSWA's residential customer base was 17,094. Over the current reporting period, GSWA crews performed 448,230 trash collections, of which 99.66 percent were on time. Figure 8 illustrates the on-time collections during the reporting period.

Figure 8 - On-Time Collections, July 1, 2014 – December 31, 2014



GSWA crews collected 9,843.03 tons of trash from their residential customers over the six-month reporting period. Each GSWA customer household generated an average of 43.92 pounds of trash per week, or 6.27 pounds per day.

Cart Repairs

During the reporting period, GSWA made repairs to, or replaced, 55 damaged Toter carts.

Bulky Item Collections

From July 1, 2014, through December 31, 2014, GSWA collected 2,176 metallic and bulky items in 767 appointments made by GSWA customers, an increase from the preceding six months in both the number of items collected (19.6 percent increase) and appointments made (28.69 percent increase).

GSWA customers are allowed up to two free bulky item collections a year. The fee for each subsequent collection during the same year is \$25. Residents who are not customers of GSWA and not a commercial entity may make appointments for bulky item collection for \$25 per collection.

Up to five items can be placed on the curb per customer. Metal objects are taken to a local scrap yard to be recycled, and non-metal items, such as mattresses and sofas, are taken to the Layon Landfill.

Residential Transfer Stations

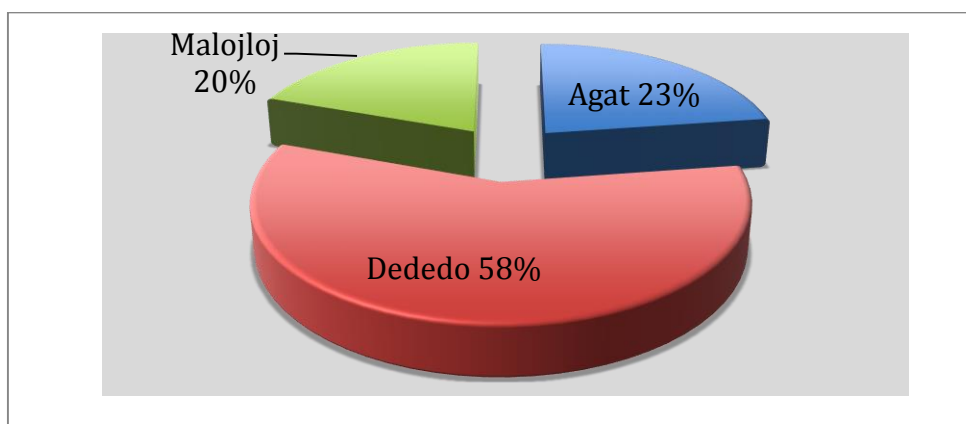
GSWA's three residential transfer stations in Agat, Malojloj and Dededo are for disposal of residential trash and recycling; commercial organizations are not allowed to take their trash to these facilities. Residents and some Mayors bring cardboard, glass bottles and jars, mixed paper and plastics # 1 (PET)

and #2 (HDPE) for recycling, and trash for disposal. Glass bottles and jars are crushed and reused as alternative daily cover at the Layon Landfill.

During the reporting period, GSWA customers deposited 21.46 tons of glass at the residential transfer stations. Cardboard recycling totaled 48.54 tons at the three facilities. Plastic amounted to 1.85 tons collected and recycled. Mixed paper and metal cans were 1.43 tons and 0.63 tons respectively. Trash disposed at these facilities totaled 2,508.97 tons, virtually the same as the 2,509.47 of trash disposed at these facilities during the same the previous year.

Between July 1 and December 31, 2014, a total of 15,120 customers used these three facilities. The Dededo facility serviced 9,017 of these customers, or 58 percent of the total.

Figure 9 - Percentage of Customers Using Transfer Stations, July through December 2014



Each transfer station experienced a change in usage over the reporting period. The Malojloj facility experienced a seven percent decline while the Dededo and Agat facilities showed increases of eight percent and six percent respectively.

Hauler-only Transfer Station

The Hauler-only Transfer Station is for commercial haulers and other large generators with a GSWA account. Most of the customers using this facility haul significant amounts of trash in large collection vehicles. GSWA personnel staff the scale house and handle the accounts while a private contractor, Guahan Waste Control, operates the tip floor (where the trash is dumped) and the transfer trailers that transport the trash to the Layon Landfill. Once the material is dumped onto a tip floor, the operator of the facility screens it for excluded waste before loading it into a large transfer trailer for transport to the Layon Landfill. Consolidating the waste into large transfer trailers significantly reduces the amount of truck traffic to the Layon Landfill.

From July 1, 2014, through December 31, 2014, the Hauler-only Transfer Station received 10,042 deliveries of waste. The average monthly scale crossings during this reporting period were 1,674. Table

1 shows that the Hauler-only Transfer Station had more customer crossings on the scales than in the same period last year with fewer tons of municipal solid waste compared to the same period last year.

**Table 1. Tonnage and Scale Crossings at Hauler-only Transfer Station
July – December, 2013 and 2014**

	2013	2014	Change
Scale Crossings	9,402	10,042	7%
Tons	42,188.05	44,016.10	4%

Layon Landfill

The Layon Landfill opened on September 1, 2011, under the operational management of what is now Green Group Holdings, LLC (formerly Herzog Environmental). As the operator, Green Group Holdings not only handles the incoming trash but also is responsible for maintaining the facility and its equipment, and controlling litter. In addition, Green Group Holdings provides fire prevention measures, such as grass cutting, brush clearing and fire breaks for the monitoring wells and wells outside the perimeter fence.

The scale house is operated by GSWA personnel, and GSWA manages all accounts. From July 1, 2014, through December 31, 2014, the Layon Landfill received 48,869.23 tons of municipal solid waste, which is approximately 9 percent more than during the same months the previous year. The number of vehicles crossing the scales during the current reporting period was 3,104, a 13 percent increase from the 2,739 crossing the same months in 2013, as shown in Table 2.

Table 2. Tonnage and Scale Crossings at Layon Landfill July – December, 2013 and 2014

	2013	2014	Change
Scale Crossings	2,739	3,104	13%
Tons	45,040.54	48,869.23	9%

Administration

GSWA customer service staff assisted 3,905 walk-in customers from July 1, 2014, through December 31, 2014. The Customer Service Representatives (CSRs) meet with walk-in customers to discuss their account history, sign them up for collection service, map their service location, and discuss which items can be recycled. CSRs also provide information about where other items, such as electronics and scrap metal, can be recycled, and where additional material, such as green waste and construction and demolition debris, can be disposed.

During the reporting period, the CSRs sent 9,982 letters and called 10,074 customers who were late paying their bills and in jeopardy of having their carts repossessed for lack of payment. During this reporting period, 37,318 calls were received by GSWA representatives and the vast majority of these were from current and prospective customers asking for information about GSWA services and about the customers' accounts.

When a customer becomes 60 days behind in payment, GSWA Customer Service staff contact the customer by mail and telephone to provide a reminder to the customer, encouraging them to make payment to ensure that their account is restored to good standing. If the customer fails to pay and becomes 90 days or more behind in payment, a work order is placed to repossess the cart and terminate service. GSWA operations staff collects these carts. Fourteen hundred sixteen (1,416) carts were repossessed during this reporting period, and 383 of these carts, or 27 percent, were returned to customers after they had paid their balance due plus a \$50 reinstatement fee.

Personnel

On December 31, 2014, GSWA had 56 full-time equivalent (FTE) employees: 28 FTE Government of Guam employees, 26 FTE workers employed by the Receiver through its contract with Pacific Human Resources, Inc. (PHRS), and two employees under direct contract with the Receiver.

GSWA Board of Directors

During the reporting period, only three official meetings of the GSWA Board of Directors were held. Two additional meetings were scheduled but had to be cancelled for lack of a quorum and no meeting was scheduled for one month. Below are highlights from these meetings.

July 24, 2014: The Board discussed the timeline of the transition, the Court's response to the Board's letter to the Court, and the recently submitted Receiver's Quarterly Report to the Court.

August 28, 2014: Meeting cancelled because there was no quorum.

September 25, 2014: The meeting primarily dealt with the final issues surrounding the completion of a contract with an attorney for the Board of Directors. A committee composed of Andrew Gayle and Elyze Iriarte was created to work closely with the attorney after the official hiring, to draft rules and regulations for the Board of Directors.

October 22, 2014: The Receiver provided an overview of GSWA's Alpine Billing System and Work Order system.

November 19, 2014: Meeting cancelled because there was no quorum.

December 2014: No meeting was scheduled.

The minutes and agenda for each meeting are posted on the GSWA website, and the audio of each meeting is also available online through the website of the Office of the Public Auditor. GSWA continues to work with two court reporters to transcribe past and current recordings of the Board of Directors' meetings as the Court has ordered. To date, six past transcripts have been submitted to the Court and nine meetings are left to transcribe.

Island-Wide Curbside Recycling Program

As the Court is aware, GSWA plans to purchase new collection vehicles for collection routes on problematic roads where the large garbage trucks cannot travel because of road conditions, low hanging wires and branches, or inability to turn the vehicle around. Customers on these routes currently receive trash collection with what GSWA refers to as Baby Packer trucks, which are pickups with small containers on their beds. The new trucks would allow GSWA to provide recycling service to approximately 1,000 customers. Unfortunately, a bid protest has held up the acquisition of these new vehicles.

Figure 10 shows the tonnage collected in the Island-Wide Curbside Recycling Program during 2014. From July 1 through December 31, 2014, 978.55 tons were collected at the curb. GSWA collection crews transport the recyclable material to Guahan Waste Services, the contractor that processes and sells the material. Revenue for the recyclable material from July through December 2014 totaled \$6,015.92.

Figure 10. Recycling Tonnage for Calendar Year 2014

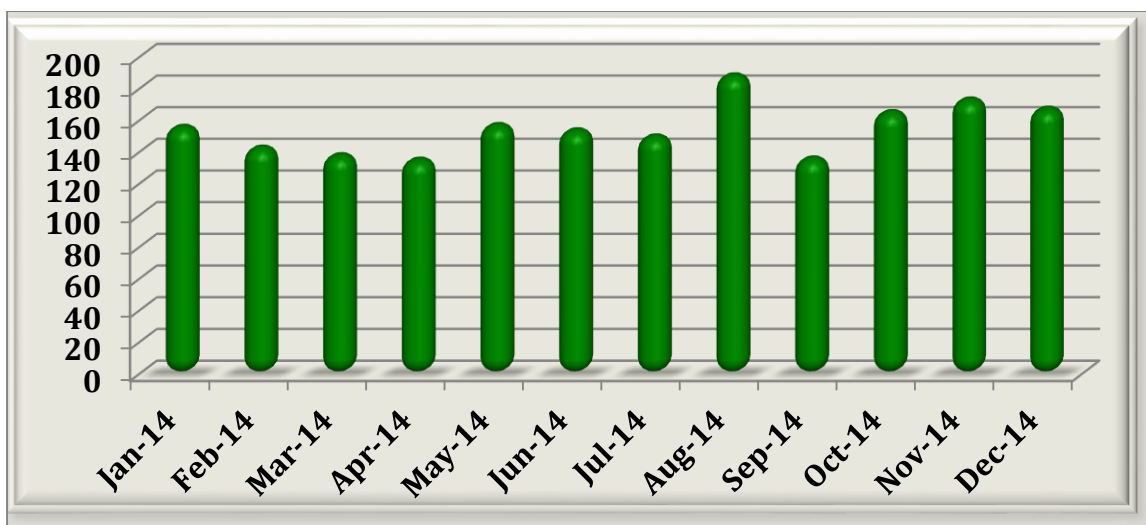
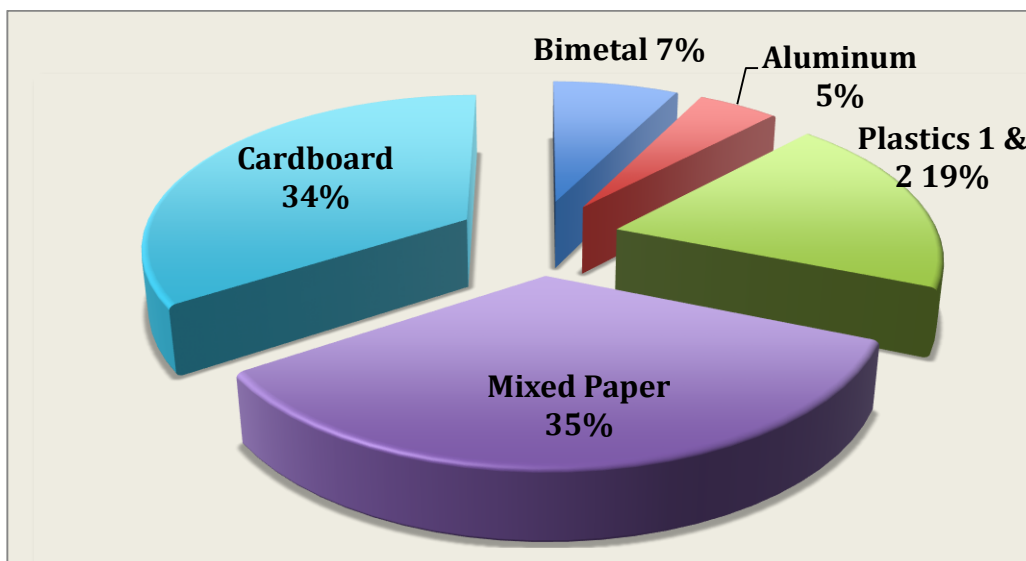


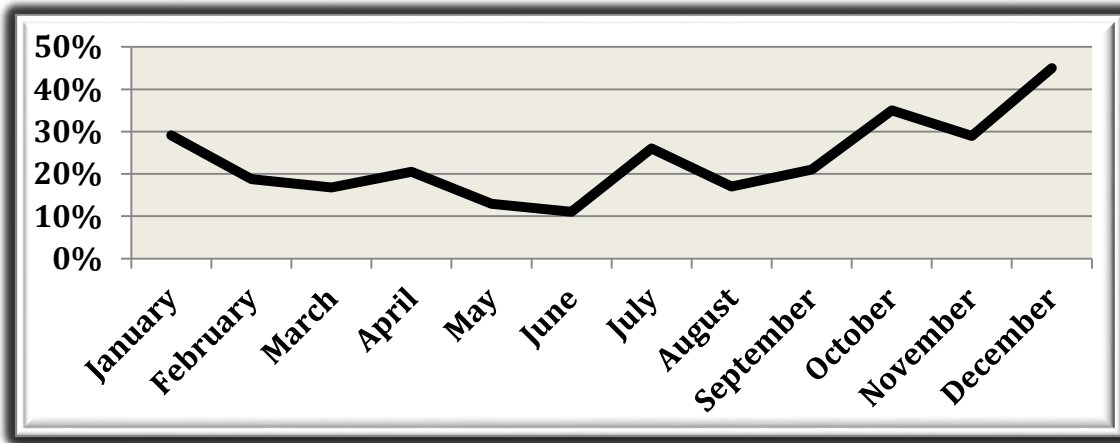
Figure 11 shows the percentage breakdown by recyclable material collected during this reporting period.

Figure 11. Percentage Breakdown of Recyclables Collected, July 1 – December 2014



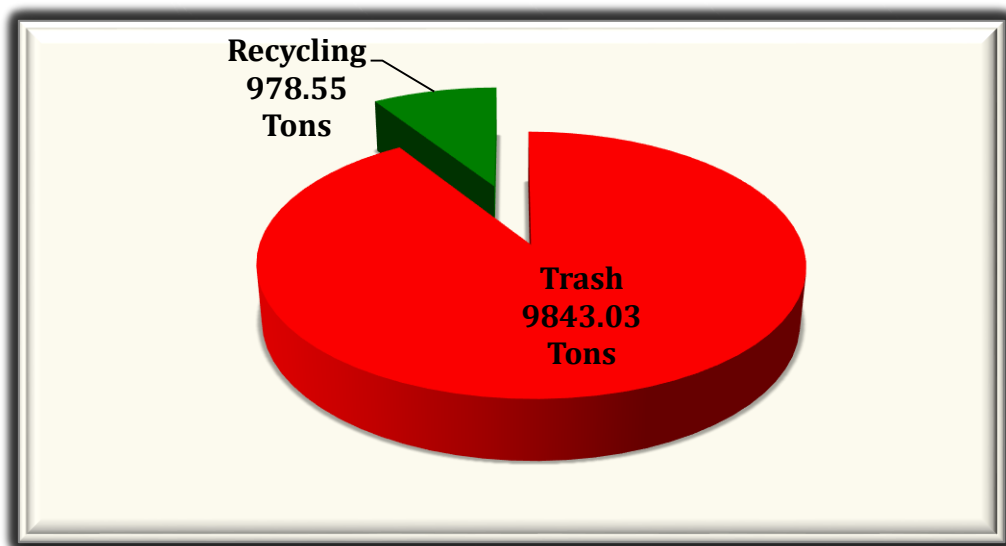
Ideally, contamination in the recycled material should be minimal. Contamination during the previous six months, January through June 2014, steadily declined to 11 percent. Unfortunately, that trend did not continue during this reporting period. Contamination climbed for a number of reasons. First, with the advent of the rainy season, recycled material became wet. In most cases, wet recyclable material is still recyclable, but when paper is severely water logged such as it was on and around October 6, 2014, when typhoon Vongfong came near Guam's shore, the paper cannot be recycled. For several weeks in October, many trash and recycling carts were filled with water, requiring two GSWA workers to roll waterlogged carts to the truck and assist the hydraulic lifts to empty them. Heavy rain at the recycling processor's facility also contributed to water contamination of the paper collected in GSWA's recycling carts. In addition to water contamination during October, more residents are contaminating the recycling materials by putting non-recyclable materials in the recycling carts. Contamination of trash in GSWA recycling carts spiked in December 2014. Our collection crews have been instructed to take more time to review the material when they are emptying them from the cart into the collection vehicle and to cite the customer if contamination is found. GSWA is also asking route supervisors to spot check recycling carts, and if contamination is found to cite those customers. GSWA strives to contact by phone the cited customer within 24 hours after the citation has been given. The practice is for the driver to immediately call the dispatcher with the cart number that has the contamination. A list of these cart numbers is then provided to GSWA's Customer Service Department and customer service representatives attempt to call each customer to personally tell them why their cart was cited, educate them on what can be recycled in the GSWA program, and remind them that if there are a total of three citations the cart will be removed.

Figure 12. Contamination Percentage



During the reporting period, residential trash customers who have both trash and recycling services disposed of 9,843.03 tons of trash and 978.55 tons of recycling, resulting in roughly a 10 percent of residential trash diverted to recycling at the curb, as shown in Figure 13.

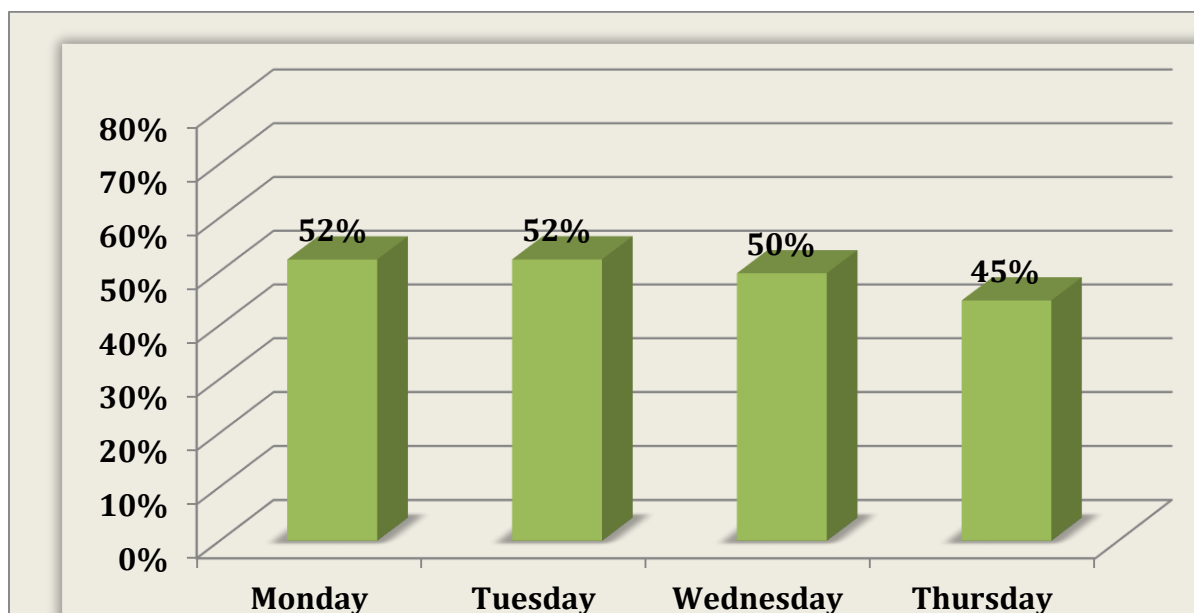
Figure 13. Residential Curbside Recycling and Trash Tonnage, July - December 2014



The recycling participation rate is defined as the proportion of households that set out a recycling cart for collection at each collection opportunity. Figure 14 illustrates the participation rates for Monday, Tuesday and Wednesday, July through December, 2014.

Figure 14 shows the average participation rates, which ranged from 45 percent on Thursday to 52 percent on Mondays and Tuesdays.

Figure 14. Average Recycling Set-Out Rates by Collection Day,



In the Special Report of the Receiver, “Island-Wide Curbside Recycling,” dated August 13, 2013, the Receiver recommended implementation of a curbside recycling program using existing trash collection vehicles and personnel. By reducing the number of trucks needed for trash collection each day, trucks are available for the collection of recyclables. We estimated additional costs for the program, including vehicle maintenance and fuel, amortized cost of recycling carts, overtime for collection personnel, education, and the cost to process the recyclables. The Special Report also listed several beneficial cost reductions due to the new curbside recycling program. These benefits include avoided costs to process waste through the Hauler-only Transfer Station, costs to transport the waste to the Layon Landfill, and the per ton fee paid to the landfill operator for each waste delivery. In addition, we would no longer have the cost of the then-current Curbside Recycling Pilot Program. Finally, with the island-wide program, a revenue stream for the recyclable materials would be possible, although we did not include any estimate of the revenue, due to the uncertainty and volatility of recycling commodity markets. In the Special Report, we recommended using a benchmark cost of \$171.60 per ton of waste landfilled.

The average cost per ton for recycling from July 1 through December 31, 2014, is \$128.89. The tip fee at the Layon Landfill is \$171.60. Figure 15 illustrates these two costs.

Figure 15: Average Landfill vs. Recycling Cost Per Ton From July 1 through December 31, 2014

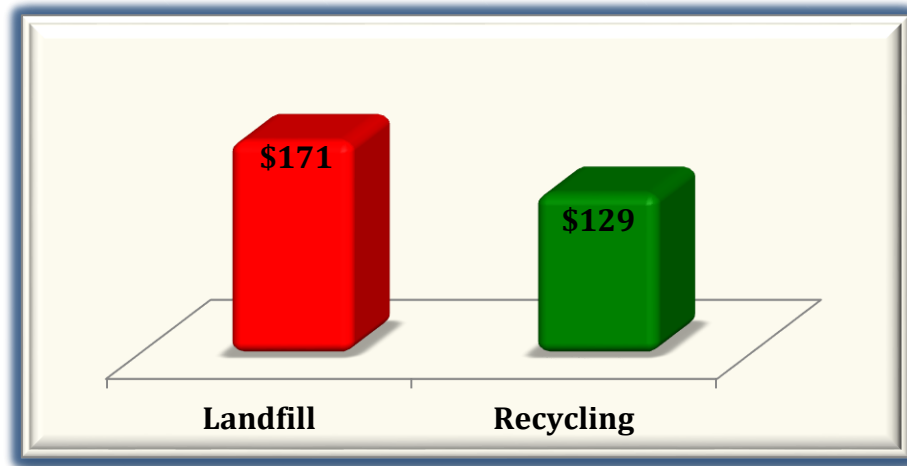


Table 3 shows the breakdown of the cost factors as outlined in the Receiver's Special Report, "Island-Wide Curbside Recycling," and the six-month average cost for each of those factors.

Table 3: Average Monthly Recycling Cost, July 1 - December 31, 2014

Cost Factor	Six-Month Average
Annual Cost of Carts	\$6,290.14
Overtime for Personnel	\$4,468.48
Fuel	\$5,075.44
Maintenance/Tires	\$5,556.65
Education	\$98.27
Recyclable Processing Cost	\$15,165.98
5% Contingency	\$0
Less: Transfer Station Fees	\$(4,763.42)
Less: Landfill Fees	\$(3,747.46)
Less: Pilot Recycling Fees	\$(6,500.00)
Total Cost	\$21,644.07
Revenue	\$1,002.65
Net Expense	\$20,641.42
Cost Per ton	\$128.62

4. Contract Management and Procurement (July – September 2014 and October – December 2014)

Procurement activity during the quarter ending September 30, 2014 was limited to the procurement for legal services for the GSWA Board of Directors and an Invitation for Bids for replacement refuse collection vehicles. During the period ending December 31, 2014 significant time was also spent on a bid protest filed with respect to the procurement for refuse collection vehicles. On February 20, 2015, the Office of Public Accountability upheld the protest on technical grounds citing a lack of evidence in the record for the specification that was protested. While we disagree with the decision, we will revise the bid and reissue the procurement.

Contract negotiations also continued with the Unlimited Services Group and South Pacific Environmental (USG/SPE) pursuant to the Request for Proposal issued in a prior reporting period for operation of the Household Hazardous Waste facility. The contract was finalized in late December in preparation for the facility opening in January.

The status of the Receiver's primary contracts, including the amounts spent through September 30, 2014 and through December 31, 2014 are summarized on Tabs 4(a) and 5(a). Individual payments occurring during the reporting periods for these contracts are included in Tabs 4(b) and 5(b). Information on direct employee contracts and payments, contracts in connection with ongoing litigation, payments to the Government of Guam, and one-time expenditures are not included in the table, but updates on payments for these items are included elsewhere in this Report.

Tab 6 provides the Court with a list of approved change orders for the open Consent Decree construction contracts listed in Tabs 4(a) and 5(a).

5. Financial Issues and Capital Funding (July – September 2014 and October – December 2014)

Overview

In this section, we provide an analysis of the operating finances of GSWA during the reporting periods. We also report on the status of capital funding for the Consent Decree and the status of funding for post-closure expenses for the Ordot Dump, Consent Decree-related capital projects, and the status of GSWA funds transferred to the Reserve for Unfunded Expenses established pursuant to the Court's Order dated 9-12-14

Specifically, in this section, we provide the Court with updates on the following:

- GSWA operating results for the periods July 2014 – September 2014 and October 1, 2014 – December 31, 2014

- Cash position of GSWA
- Status of residential customers
- Status of large commercial accounts
- Status of GWA and Government accounts
- Status of the Construction Subaccount
- Host Community Premium Surcharge Fees
- Capital funding
- Funding for Ordot Dump Post-Closure Reserves of the GSWA
- Bridge and Roadway Repairs and Replacements
- Waste disposed at the Layon Landfill

GSWA Operating Results for FY 2014 from July 1, 2014, to September 30, 2014

This reporting period ended the FY 2014 fiscal year. GSWA continued to produce strong operating results, using significantly less in fund balance reserves than the budget originally anticipated. Table 4 provides the Court with a summary of expenditures and revenue for the FY 2014 fiscal year, compared with the approved budget. Detailed reports of expenditures and revenue compared with the approved FY 2014 budget are provided in Tab 7(a) of this Report.

Table 4. GSWA Summary of Operating Budget FY 2014

Guam Solid Waste Authority Summary of Operating Budget FY 2014 October 1, 2013 to September 30, 2014 (Unaudited)				
Item	Total Annual Budget	Budget to Date	Actual Spending / Revenue to Date	% over (under) Budget
Personnel Expenses	\$2,809,300	\$2,809,300	\$2,917,462	3.9%
Other Expenses / Reserves*	\$15,857,684	\$15,857,684	\$15,872,042	0.1%
Total Expenses / Reserves	\$18,666,984	\$18,666,984	\$18,789,504	0.7%
Total Revenue (All Sources)	\$16,846,000	\$16,846,000	\$17,978,880	6.7%
Budgeted From Fund Balance	\$1,820,984	\$1,820,984	\$810,623	-55.5%
Total Funding Available	\$18,666,984	\$18,666,984	\$18,789,504	N/A
Surplus / (Deficit)**	\$0	\$0	\$0	N/A
<small>*Beginning in May, funds previously used to reimburse GovGuam for Debt Service payments it makes using federal Section 30 funds are withheld pending resolution of funding issues for additional GSWA capital spending requirements. Pursuant to the Court's Order dated 9-12-2014 these funds were transferred to a new reserve bank account named "Reserve for Unfunded Expenses" pending the Court's resolution of these funding issues. ** Surplus goes to reserve for future years (i.e. fund balance) and deficits are covered by the same reserve. Interest income on reserve accounts not included in operating revenue.</small>				

During FY 2014 total expenses were less than one percent above the approved budget and revenue exceeded the budget estimate by 6.7 percent. While personnel costs were 3.9 percent above budget

estimates, non-personnel spending was very close to the budget estimate. The original budget projections anticipated spending about \$1.8 million in fund balance reserves to balance the budget for the year; however, only about \$810,000 was actually required.

Cash collections of the amounts billed by GSWA, while somewhat less during FY 2014 when compared to the prior year, remained strong. Table 5 compares the amounts collected during the period with the amount billed during the same period.

Table 5. GSWA Revenue Billed/Collected

GSWA Revenue Billed / Collected			
October 1, 2013 through September 30, 2014			
Customer Class	Billed	Collected	%
Commercial	\$ 9,871,720	\$ 9,962,341	100.9%
Residential	\$ 6,186,299	\$ 6,463,582	104.5%
Government	\$ 1,553,520	\$ 1,288,648	83.0%
Total	\$ 17,611,539	\$ 17,714,571	100.6%
Note: Amount collected is on a cash basis. Transfer Stations are included in the residential category. Interest income excluded.			

Cash collections from commercial accounts during the reporting period exceeded billing for these accounts by about one percent. This percentage is down a bit during FY 2014 primarily due to the suspension of payments on past due balances from Lagu Sanitation. Seasonal fluctuations in amounts of waste disposed also contribute to changes in commercial collections.

Cash collections from residential customers exceeded billing by 4.5 percent. When payments from customers of the residential transfer stations, trash tag fees, collection service restoration fees and account reactivation charges are excluded, cash collections from residential customers were 99.7 percent of billed charges during the reporting period.

Cash collections from government accounts were 83 percent of billed charges for the period. However, when GWA is excluded, the percentage collected drops to 56.4. The unpaid balance in the Government accounts other than GWA has grown from \$99,431.88 on September 30, 2011 to \$140,380.99 on September 30, 2014. To address this issue we have started considering this as an amount owed to GSWA by the General Fund of the Government of Guam when settling up GSWA accounts with GovGuam at the end of each fiscal year. In this way the Receiver is able to effectively address this problem and the Department of Administration is free to collect the sums directly from the GovGuam agencies if it so chooses.

GSWA Operating Results for FY 2015 from October 1, 2014, to December 31, 2014

During the first quarter of FY2015, GSWA's operations continued to produce strong financial results. Table 6 provides the Court with a summary of expenditures and revenue for the period October 1, 2014

through December 31, 2014, compared with the approved budget. Detailed reports of expenditures and revenue compared with the approved FY 2015 budget are provided in Tab 7(b) of this Report.

Expenses during the period were substantially below budget estimates (nearly 31 percent below the budget), but this is more indicative of the lag time for billing and posting expenses that occurs in the early part of each fiscal year than any meaningful reduction in actual expenses. As the fiscal year progresses, the billing and posting of expenses will catch up with budget projections. Revenue from all sources was 3.8 percent above budget estimates. The net result is a budget surplus for the period in excess of \$1.4 million. The budget surplus will likely decline as the fiscal year progresses.

Table 6. GSWA Summary of Operating Budget FY 2015

Guam Solid Waste Authority Summary of Operating Budget FY 2015 (Unaudited)				
Item	Total Annual Budget	Budget to Date	Actual Spending / Revenue to Date	% over (under) Budget
Personnel Expenses	\$3,000,000	\$750,000	\$609,127	-18.8%
Other Expenses / Reserves*	\$15,365,597	\$3,841,399	\$2,571,840	-33.0%
Total Expenses / Reserves	\$18,365,597	\$4,591,399	\$3,180,967	-30.7%
Total Revenue (All Sources)	\$17,845,681	\$4,461,420	\$4,629,804	3.8%
Budgeted From Fund Balance	\$519,916	\$129,979	\$0	-100.0%
Total Funding Available	\$18,365,597	\$4,591,399	\$4,629,804	N/A
Surplus / (Deficit)**	\$0	\$0	\$1,448,837	N/A
*Funds previously used to reimburse GovGuam for Debt Service payments it makes using federal Section 30 funds are withheld pending resolution of funding issues for additional GSWA capital spending requirements. Pursuant to the Court's Order dated 9-12-2014 these funds were transferred to a new reserve bank account named "Reserve for Unfunded Expenses" pending the Court's resolution of these funding issues. ** Surplus goes to reserve for future years (i.e. fund balance) and deficits are covered by the same reserve. Interest income on reserve accounts not included in operating revenue. Spending from the Bank of Guam Trustee accounts is on a cash basis until year end adjustments are included after the close of the fiscal year.				

Cash collections of the amounts billed by GSWA, while slightly less during the reporting period when compared to the first six months of the year, remained strong. Table 7 compares the amounts collected during the period with the amount billed during the same period.

Table 7. GSWA Revenue Billed/Collected

GSWA Revenue Billed / Collected			
October 1, 2014 through December 31, 2014			
Customer Class	Billed	Collected	%
Commercial	\$ 2,563,085	\$ 2,801,368	109.3%
Residential	\$ 1,549,325	\$ 1,641,526	106.0%
Government	\$ 431,941	\$ 527,789	122.2%
Total	\$ 4,544,351	\$ 4,970,683	109.4%
Note: Amount collected is on a cash basis. Transfer Stations are included in the residential category. Interest income excluded.			

Cash collections from commercial accounts during the reporting period exceeded billing for these accounts by 9.3 percent. This is driven by Naval Facilities Engineering Command (NAVFAC) catching up its lagging payments from the previous reporting period.

Cash collections from residential customers exceeded billing by 6 percent. When payments from customers of the residential transfer stations, trash tag fees, collection service restoration fees and account reactivation charges are excluded, cash collections from residential customers were 100.6 percent of billed charges during the reporting period.

Cash collections from government accounts were 122.2 percent of billed charges for the period. This is driven by GWA catching up its lagging payments from the previous reporting period. When GWA is excluded, the percentage collected drops to 61.9 for all other Government of Guam accounts. In addition, the unpaid balance for non-GWA government accounts continues to rise. On December 31, 2014, the unpaid balance was \$147,505.49. As indicated earlier in this report, we have begun managing this issue by including the amounts owed by other GovGuam agencies as an amount due from the General Fund at the end of each accounting period.

Fund balance is the difference between the cumulative obligations of GSWA and its cumulative financial assets. While the actual fund balance is not known until the annual audit is completed, we can estimate the fund balance for the reporting periods. Tables 8 and 9 provide the Court with our estimate of GSWA's fund balance at September 30, 2014 and December 31, 2014 respectively.

Based on our analysis of the year ended September 30, 2015 we estimate a decline in the fund balance of approximately \$810,000. Table 8 outlines the elements of our estimate.

Table 8. GSWA Fund Balance

Guam Solid Waste Authority	
30-Sep-14	
(Unaudited)	
Elements of Fund Balance	Amount
Actual Fund Balance @ 9/30/13	\$ 13,895,746
Revenue FY 2014	\$ 17,978,880
Expenses FY 2014	\$ 18,789,504
Excess (Deficit) FY 2014	\$ (810,623)
Estimated Fund Balance @ 9/30/14	\$ 13,085,123
Note: Revenue is on accrual basis.	

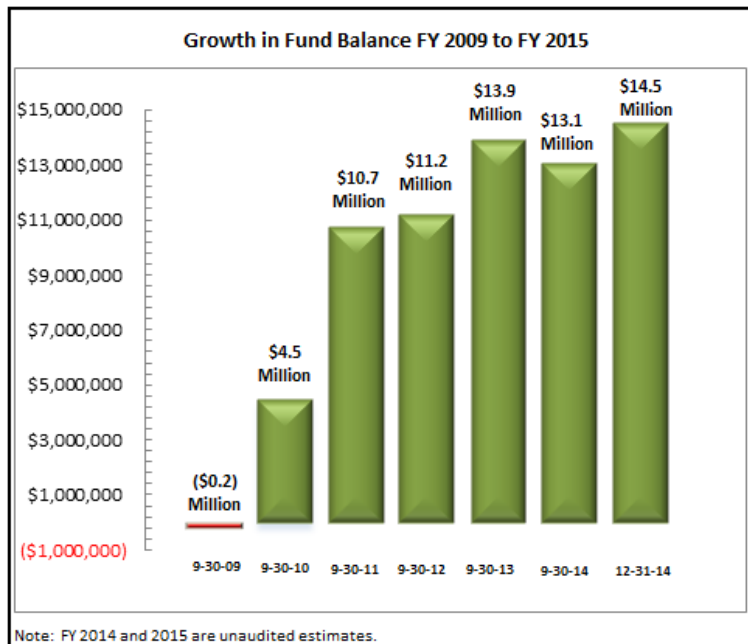
Using the same approach to estimating fund balance, Table 9 outlines our estimate for December 31, 2014.

Table 9. GSWA Fund Balance

Guam Solid Waste Authority	
Fund Balance	
31-Dec-14	
(Unaudited)	
Elements of Fund Balance	Amount
Estimated Fund Balance @ 9/30/14	\$ 13,085,123
Revenue FY 2015	\$ 4,629,804
Expenses FY 2015	\$ 3,180,967
Excess (Deficit) FY 2015	\$ 1,448,837
Estimated Fund Balance @ 9/30/14	\$ 14,533,960
Note: Revenue is on accrual basis.	

Figure 16 shows how the fund balance from operations has changed over the period GSWA has been in Receivership.

Figure 16. Growth in Fund Balance FY2009 to FY2015



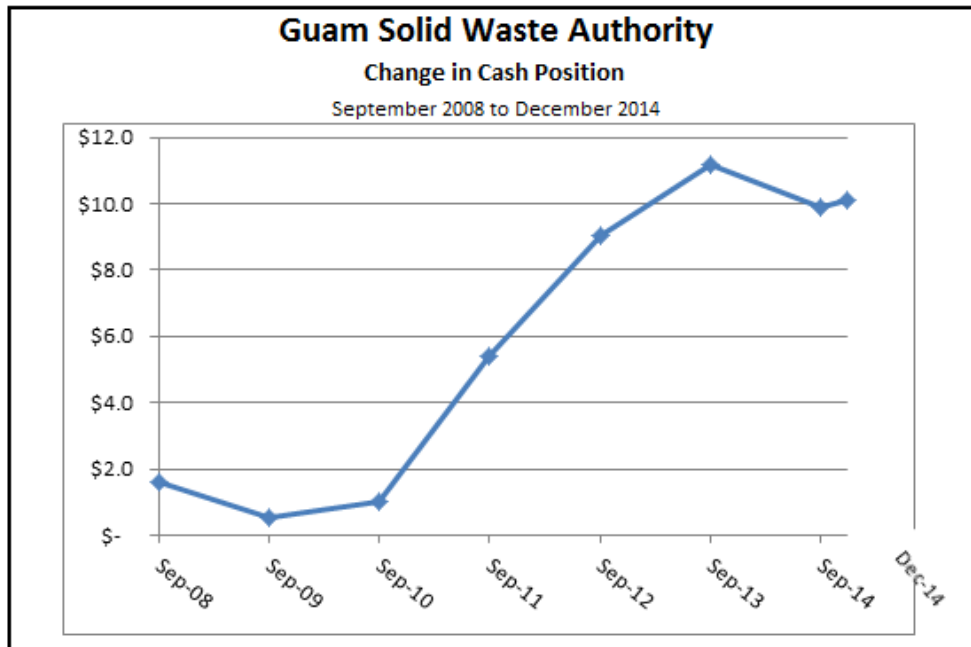
Payments for operating expenses of GSWA are made through the Department of Administration and through the Receiver's trust account known as the Primary Account. Payments made by the Receiver are handled pursuant to the Disbursement Procedures approved by the Court. Tabs 8(a) and 8(b) provide a detailed list of the transactions affecting the Primary Account that occurred during the reporting periods.

Cash Position of GSWA

GSWA's cash position decreased during FY 2014. This reduction was the result of the purchase of recycling carts from operating cash reserves. Cash increased during the first quarter of FY 2015. GSWA's cash position does not include cash in GSWA's reserves, including the new special reserve funded by cash previously used to reimburse the Government of Guam for debt service.

Cash available to GSWA on September 30, 2014 was \$9,909,837.29, down from \$11,171,331.36 on September 30, 2013. GSWA cash increased to \$10,081,661.65 on December 31, 2014. Figure 17 outlines GSWA's cash position at the end of each fiscal year since the Receivership began and for December 31, 2014.

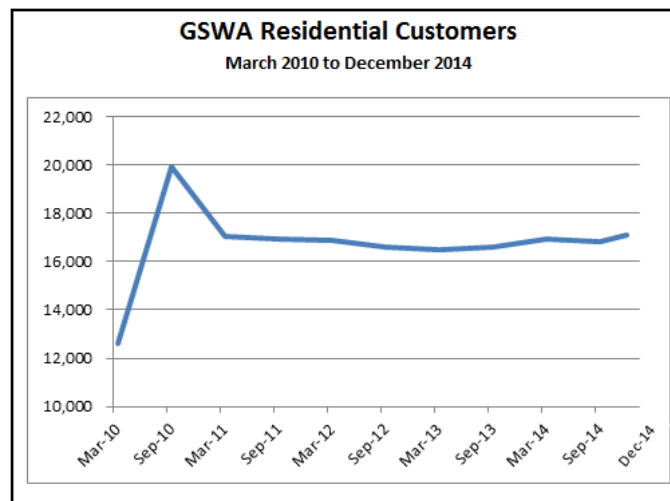
Figure 17. Change in GSWA Cash Position (Million \$)



Status of Residential Customers

On September 30, 2014, the number of residential customers was 16,849. On December 31, 2014 the number of residential customers was 17,094. The customer base has grown by nearly 600 since March 2013. Figure 18 illustrates the very stable base of GSWA residential customers with its recent growth trend over the previous four years.

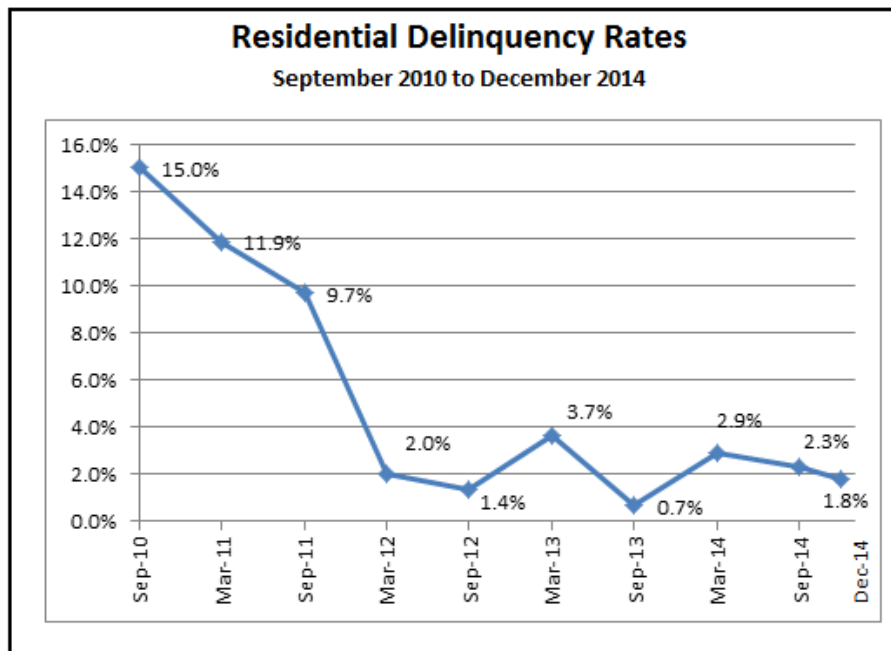
Figure 18. GSWA Residential Customers



The residential delinquency rates remained low at the end of the reporting periods. Figure 19 shows the trend in residential delinquency rates from September 2010 to December 2014. These low delinquency rates clearly demonstrate that GSWA customers respond favorably to sound management and quality service. Before the Receivership, the quality of the service was extremely poor and more than 4,000

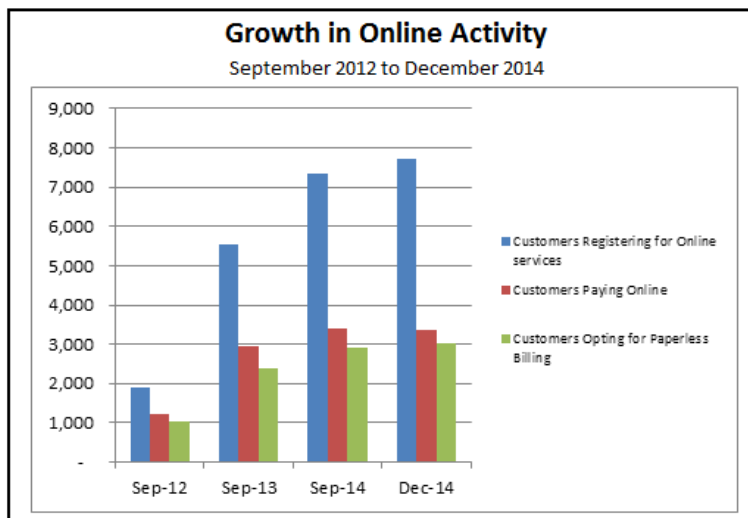
customers received services for many years without paying at all and others paid sporadically. GSWA's customer service staff continues to do a great job in this vital area of its work. We will continue to monitor this closely and keep the Court informed.

Figure 19. Residential Delinquency Rates



Online payments and account management by residential customers continued to grow during FY 2014 and the first quarter of FY 2015. The number of customers registering for online services increased to 7,728, an increase of almost 40 percent since the end of FY 2013. Customers paying their bills online grew to 3,363 on December 31, 2014 with 3,027 customers now enrolled for paperless billing. Figure 20 outlines the growth in online activity since GSWA initiated the current system in 2012.

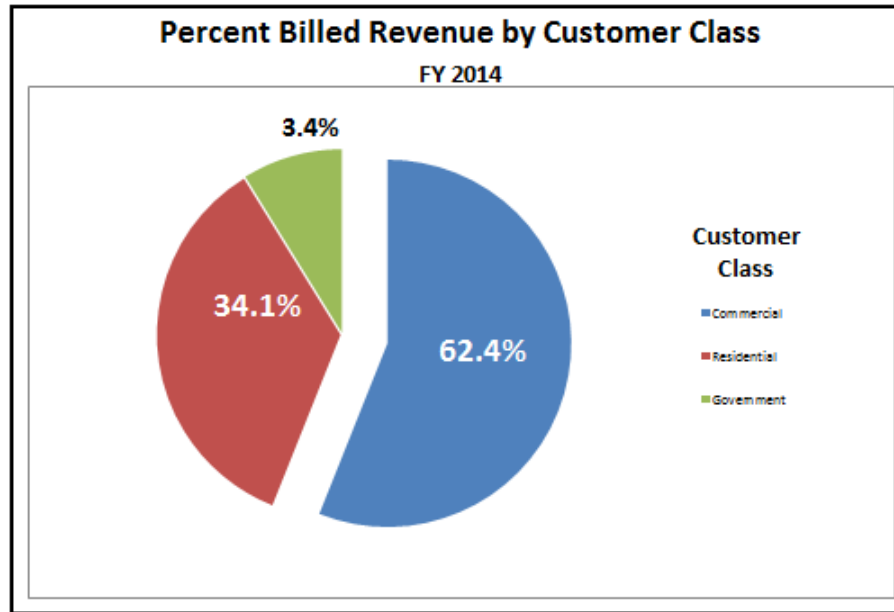
Figure 20. Growth in Online Activity



Status of Large Commercial Accounts

Large commercial haulers, primarily serving Guam's business community, make up the largest segment of Guam's solid waste system, accounting for more than 60 percent of the system's revenue. Figure 21 illustrates the percentage of tipping fees paid by each class of GSWA customer during FY 2014.

Figure 21. Percent Billed by Customer Class



The following list of commercial accounts comprises the major organizations in this class of customers:

1. Mr. Rubbishman
2. Lagu Sanitation
3. Pacific Waste Systems
4. Trashco
5. Island Waste Management
6. NAVFAC

This category includes the NAVFAC because it is managed by a private company and is otherwise very similar to other GSWA commercial customers.

As the Court will recall, earlier in the Receivership significant problems were encountered in obtaining timely payment from some commercial haulers. Working with the haulers, and with the support of the District Court, we have, for the most part, been successful addressing these issues. Lagu's request to modify the settlement it entered into in 2012 remains before the Court and from time-to-time there are some disruptions in timely payment, but generally these issues are resolved informally without having to initiate formal actions pursuant to GSWA delinquency policies. During the reporting period, all the major accounts, with the exception of Lagu Sanitation and Island Waste, were in good standing. We continue to work with Island Waste and expect that matter to be fully resolved quickly. If it is not we

will need to take more formal action to resolve it. With respect to Lagu, we will await the Court's guidance.

Status of GWA and Government Accounts

All payment issues with the GWA account are now resolved and it is our hope that the account will remain in good standing going forward. With respect to the other Government of Guam accounts, we will continue to monitor carefully and support DOA when it needs our support, however, the balances owed from these GovGuam customers will be addressed as we described earlier in this report.

Status of the Construction Subaccount

Payments from the Construction Subaccount were \$8,427,866.54 during the period July 1, 2014, through September 30, 2014. Interest earnings were added to the account in the amount of \$4,690.47. In addition, funds were transferred into the account from the Government of Guam's Construction account for the 2009 bonds in the amount of \$13,793,145.04. Tab 9(a) provides a detailed listing of all transactions affecting the account during the period July 1, 2014, through September 30, 2014.

Payments from the Construction Subaccount were \$5,297,669.02 during the period October 1, 2014, through December 30, 2014. Interest earnings were added to the account in the amount of \$4,560.08. In addition, funds were transferred into the account from the Government of Guam's Construction account for the 2009 bonds in the amount of \$11,835,325.29. Tab 9(b) provides a detailed listing of all transactions affecting the account during the period October 1, 2014, through December 31, 2014.

Table 10 provides the Court with an accounting of the retainage being held for contractors paid from the Construction Subaccount.

Table 10. Retainage on Trustee Account Payments

Retainage on Trustee Account Payments		
<i>As of 12/31/2014</i>		
Company	Description	Amount
Brown and Caldwell	Retainage	\$ 7,978.00
Black Construction Corporation	Retainage	\$ 2,867,554.86
EA Science and Technology	Retainage	\$ -
Maeda Pacific Corporation	Retainage	\$ 244,436.35
AECOM	Retainage	\$ 9,151.35
GHD (formerly Winzler & Kelly)	Retainage	\$ 102,598.95
Total Retainage Held.....		\$ 3,231,719.51

When the retainage obligations are considered, on December 31, 2014, the Construction Subaccount had a balance of \$15,991,021.39 available for future Consent Decree obligations.

Host Community Premium Surcharge Fees

During the reporting period, July 1, 2014, through September 30, 2014, GSWA assessed Host Community Premium Surcharge (HCPS) fees totaling \$86,759.71, bringing the total assessed HCPS fees during FY 2014 to \$327,143.96. Due to the lag time allowed by Guam Law between billing and payment, FY 2014 HCPS fees collected during the period were \$79,064.74. These funds were distributed in equal amounts to the Villages of Inarajan and Ordot-Chalan Pago. A copy of the report filed with the PUC for this period is attached as Tab 10(a).

During the first quarter of FY 2015, October 1, 2014, through December 31, 2014, GSWA assessed Host Community Premium Surcharge (HCPS) fees totaling \$84,820.99. FY 2015 HCPS fees collected during the period were \$26,639.90. In addition, during this period, GSWA also collected \$62,821.71 in fees that were assessed in FY 2014. As required, these funds were distributed in equal amounts to the Villages of Inarajan and Ordot-Chalan Pago. A copy of the report filed with the PUC for this period is attached as Tab 10(b).

Capital Funding

Table 12 provides the Court with an update on the Receiver's use of the capital funds available to implement the requirements of the Consent Decree. This table reflects the use of capital funds as of December 31, 2014. This table is also provided as Tab 11(a), in a format with larger type. Tab 11(b) reports the same information for the period ending September 30, 2014.

Table 11. Allocation of Capital Available to the Receiver

Allocation of Capital Available to the Receiver Consent Decree Projects As of December 31, 2014					
Capital Budget Item	Original Estimate	Revised Estimate	Surplus / (Shortfall) Original vs Revised Estimate	Expenditures to Date	Balance Remaining (vs Revised Estimate)
Layon Landfill	\$ 57,040,900.00	\$ 42,000,000	\$ 15,040,900.00	\$ 41,350,767.09	\$ 649,232.91
Landfill Access Road and Sewer System	\$ 23,981,400.00	\$ 28,360,499	\$ (4,379,099.00)	\$ 28,360,499.00	\$ -
Construction Management - Layon and Associated Projects ¹	\$ 7,316,400.00	\$ 10,560,000	\$ (3,243,600.00)	\$ 10,059,727.27	\$ 500,272.73
Landfill Equipment ²	\$ 6,380,000.00	\$ -	\$ 6,380,000.00	\$ -	\$ -
WWTP Expansion & Leachate Pre-Treatment - Layon	\$ 11,025,000.00	\$ 4,926,935	\$ 6,098,065.00	\$ -	\$ 4,926,935.00
Transfer Station/HHWF	\$ 5,505,000.00	\$ 2,410,000	\$ 3,095,000.00	\$ 2,094,371.25	\$ 315,628.75
Transfer Station Equipment ²	\$ 2,440,000.00	\$ -	\$ 2,440,000.00	\$ -	\$ -
Operating Equipment	\$ 5,941,400.00	\$ 4,500,000	\$ 1,441,400.00	\$ 4,468,649.82	\$ 31,350.18
Environmental Investigation and Ordot Dump Closure Design	\$ 6,800,000.00	\$ 8,329,055	\$ (1,529,055.00)	\$ 8,221,604.97	\$ 107,450.03
Ordot Dump Closure	\$ 30,590,300.00	\$ 40,553,117	\$ (9,962,817.37)	\$ 20,689,202.29	\$ 19,863,915.08
Ordot Dump Closure - Land Acquisition	\$ -	\$ 1,700,000	\$ (1,700,000.00)	\$ 1,225,665.00	\$ 474,335.00
Construction Management - Ordot Dump and Subsequent Projects ³	\$ 2,721,800.00	\$ 7,343,111	\$ (4,621,311.00)	\$ 4,945,566.06	\$ 2,397,544.94
Ordot Contingency ⁴		\$ 7,210,751	\$ (7,210,750.63)		\$ 7,210,750.63
Litigation Assistance	\$ -	\$ 249,525	\$ (249,524.94)	\$ 249,524.94	\$ -
Emergency Repairs of Residential Transfer Stations and GSWA Building	\$ -	\$ 295,569	\$ (295,569.13)	\$ 295,569.13	\$ -
USDA Expense	\$ -	\$ 186,311	\$ (186,311.07)	\$ 186,311.07	\$ -
Additional Projects (Dero Road improvements, Route 4 safety enhancements and residential transfer station upgrades and general contingency)	\$ -	\$ 21,000,000	\$ (21,000,000.00)	\$ 528,550	\$ 20,471,449.71
Total	\$ 159,742,200.00	\$ 179,624,873	\$ (19,882,673.14)	\$ 122,793,899.76	\$ 56,830,973.38
¹ Includes the access road and utilities, the new residential transfer station and the HHWF facility, the emergency repairs at the residential transfer stations and the GSWA Building repairs and the design and ² Landfill equipment and equipment for the Hauler-only Transfer Station was provided under the respective contracts for the operation of these facilities and therefore no capital purchase was needed. ³ Future projects will require amendments to fund. ⁴ Ordot contingency is the difference between the total construction budget of \$49,052,804.40 [Special Report dated 9/20/2013] and the original contract for the closure of \$40,536,977. See Tab 11(c) for the allocation of the contingency as of 12/31/2014.					

We have not revised the estimates for the “additional projects” pending the Court’s decision on the GovGuam Financing Plan. We do, however, know that the estimate for the Route 4 Safety Enhancements has increased significantly and some right of way may need to be acquired that is not included in the most recent estimate from DPW. In addition, we have never received a formal estimate from DPW for the necessary work to address the earthquake damage in the As-Alonso area. An informal estimate provided by the DPW’s consultant Parsons’s Transportation Group, estimated the cost at approximately \$1,000,000. The Receiver’s estimate of the cost of the additional projects does not include funds for the clean-up of the Agat Residential Transfer Station or the closure cost of the Dededo Residential Transfer Station should this facility be closed. Finally, it should also be noted that the cost of the closure of the current cells at the Layon Landfill and the construction of the next cell, as stated in our last report, must also be considered as GSWA addresses its future needs. These costs can all be addressed without a rate increase assuming the Government of Guam continues to use its federal Section 30 funds to pay the debt service on the 2009 bond issue without attempting to recover these funds from GSWA rate payers.

Funding for Ordot Dump Post-Closure

In our Special Report dated December 22, 2014, we informed the Court of an expected increase in the estimated cost of the post-closure maintenance plan for the Ordot Dump. The original estimate was submitted to the Court in our quarterly report dated May 21, 2013. As the Court may recall, the estimated 30-year cost was presented in both unadjusted cost for the post-closure 30-year period (i.e. the nominal value) and as a net present value cost. The net present value is the amount of funding that would need to be invested today to produce the sums required to pay for the plan over the 30-year period. The funds are invested in very low risk financial instruments (typically US Treasury Securities) designed to produce the amounts needed for each year of the 30 years post-closure time-frame.

In our May 21, 2013 Report we estimated this cost at a nominal value of \$18,626,404 with a net present value of \$14,292,170. At the technical conference convened in San Francisco in December 2014, USEPA determined that the cost estimate needed to be increased in several areas in order to provide adequate funding for the post-closure period. They asked that the Receiver and its consultant review and revise the estimate accordingly. This has now been done, although it is important to note that neither USEPA nor Guam EPA have approved the revised estimate.

The new estimate, which has now been submitted to the regulatory agencies, has a nominal value of \$20,367,699 and a net present value of \$15,670,894. The detailed revised estimate is included in this report as Tab 12. We will keep the Court informed as we continue discussions with the regulatory agencies in this matter.

Compensation to Former Landowners of Ordot Property

The Ordot Dump is partially located on privately owned land that was never acquired by the Government of Guam. As we understand it, this situation developed over time as the dump slowly

expanded. In addition, as the planning for the environmental closure of the Ordot Dump was completed, it was determined that certain additional privately owned land would be needed to properly implement the closure construction. We initially worked through the Office of the Attorney General to acquire the needed property. Unfortunately, the process for the land acquisition was not completed before the change in legal counsel occurred and this has resulted in a significant delay. After obtaining private legal counsel, and having our new counsel, Attorney Vanessa Williams, work with the Office of the Attorney General to become officially designated as a Special Assistant Attorney General to complete these transactions, we are now working to complete these transactions and to compensate the former landowners as required by Guam Law.

Acquisition of all or a portion of five separate parcels of land are necessary for the closure of the Ordot Dump. The Guam Legislature appropriated funds for the acquisition of these properties for the public use for which they are needed. Four of the acquisitions are “total takes” involving the Government’s acquisition of the entire parcels, and one is a “partial take.” Partial takes are more complex, requiring the property to be acquired to be severed from the remaining property that is not taken, and the value of the property acquired, and any effect on the value of the remaining property, is to be determined.

The property acquisitions required for the environmental closure of the Ordot Dump, include the following:

1. Lot 37 (Total Take) – This property was acquired fee simple on July 8, 2013. The property is approximately 2 acres in size and funds in the amount of \$156,730.00 were deposited with the Superior Court in order to properly compensate its former owners. One half of the property was owned by the Salas family and the other half was owned by Frank V. Cruz. The Salas family agreed to the acquisition price for its one-half interest. The necessary documents were filed with the Superior Court of Guam on October 10, 2013, and the Court issued an Order releasing \$78,365.00 of the amount deposited with the Court to the Salas Family. The Court also issued a Stipulated Partial Judgment relating the Salas Family’s one-half interest in the property, closing out that portion of the case. The judgment in this matter has now been properly recorded with the Department of Land Management and the Real Property Division of the Department of Revenue and Taxation by our new counsel, concluding this matter as we understand it.

The other half of this property was owned by Mr. Frank V. Cruz. Mr. Cruz is deceased and apparently did not leave a will. We have been unable to locate any heirs of Mr. Cruz. The Superior Court of Guam has been advised of these facts and research is to be conducted to determine the proper disposition of the remaining funds deposited with the Court for this property. As we understand it, the final disposition of these funds will be determined by the Superior Court of Guam.

2. Lot 38 (Total Take) - This property was acquired fee simple on July 8, 2013. The property is approximately 1 acre in size and funds in the amount of \$87,500.00 were deposited with the Superior Court in order to properly compensate its former owners. This property was owned by Columbus Development Corporation. Columbus Development Corporation agreed to the

acquisition price. The necessary documents were filed with the Superior Court of Guam and on October 25, 2013, the Court issued an Order releasing \$87,500.00 to the Columbus Development Corporation. The Court also issued a Stipulated Judgment, closing out the case. The judgment in this matter has now been properly recorded with the Department of Land Management and the Real Property Division of the Department of Revenue and Taxation by our new counsel, concluding this matter as we understand it.

3. Lot 39 (Total Take) - This property was acquired fee simple on July 8, 2013. The property is approximately one acre in size and funds in the amount of \$84,000.00 were deposited with the Superior Court of Guam in order to properly compensate its former owners. This property was owned by Solid Pacific Inc. Solid Pacific Inc agreed to the acquisition price. The necessary documents were filed with the Guam Superior Court and the Court issued an Order releasing \$84,000.00 to the Solid Pacific, Inc. The Court also issued a Stipulated Judgment, closing out the case. The judgment in this matter has now been properly recorded with the Department of Land Management and the Real Property Division of the Department of Revenue and Taxation by our new counsel, concluding this matter as we understand it.
4. Lot 3434 (Total Take) This property was acquired fee simple on July 8, 2013. The property was owned by the Estate of Antonio Camacho Bautista. A purchase price was negotiated through the Office of the Attorney General based on an independent review of a privately obtained appraisal report. The agreed negotiated purchase price of \$870,000 was based on the acquisition being approximately 33 acres (134,055 sq. m.) Funds in the amount of \$870,000.00 were deposited with the Superior Court of Guam in order to properly compensate its former owners. However, before a formal land purchase contract was entered, the Office of the Attorney General became aware of a potential discrepancy in the size of the lot. Before settlement negotiations are finalized and funds are released by the Superior Court of Guam this discrepancy must be resolved. Resolution of this matter is still pending due to the disruption caused by the change in counsel.
5. Lot 450 (Partial Take) – The acquisition of this property is still pending. The property is owned by Columbus Development Corp and Pan Micronesia Development Corporation. An appraisal report has been prepared and discussion has now been initiated with the attorney for the owners. If agreement on the purchase price can be achieved then we would expect to complete the matter in the near future. If agreement is not achieved, the property will be acquired through condemnation and final value of the property will be determined by the Superior Court of Guam.

We will keep the District Court informed as we work to complete these property acquisitions required for the Environmental Closure of the Ordot Dump.

Compensation to Former Landowners of Layon Property

The Court has vested the Receiver with “full power and authority to enforce the terms of the Consent Decree”¹. In order to determine the extent to which additional action is necessary to enforce the terms of the Consent Decree, the Receiver must fully understand the extent to which the actions the Government of Guam has already taken have successfully implemented the requirements of the Consent Decree.

An important part of the Consent Decree is the acquisition of the land upon which the Layon Landfill was built. Prior to the Receivership, the Government of Guam selected the site for the landfill and initiated the acquisition of the land through condemnation proceedings. We determined that these actions had properly implemented the Consent Decree and further action by the Receiver was not needed except to facilitate a proper final conclusion of the Government of Guam’s action in this area. Toward that end, we facilitated the deposit of funds with the Superior Court of Guam for the purpose of compensating the former landowners. The amount deposited was based on the appraisals conducted for the Government of Guam and the funds were provided by the Government of Guam from grant funds it had received from the Federal Government. We also assisted the Office of the Attorney General, at their request, with securing and compensating certain expertise needed by that office to properly litigate the final valuation of the property in the Superior Court of Guam.

When the final determination of value was made by the Superior Court of Guam, we did not support the Government of Guam’s attempt to divert funds designated by the Court for the closure of the Ordot Dump to pay the former landowners, but we did, with the Court’s support, offer to assist the Government of Guam in its efforts to finance the necessary payments to the former landowners, recognizing the finality of the valuation decision and its importance to full compliance with the Consent Decree.

The Government of Guam, however, did not request any such assistance. In fact, after having described the need to make the payments to the former landowners in extremely serious and urgent terms in its filings with the District Court and other public statements, little more was said on the issue until speculation in the press and from some senators indicated that the Office of the Governor would use tax credits to compensate the former landowners. The means by which the Government of Guam compensated the former landowners was a decision for Guam’s policy makers as long as the compensation was provided in a manner that was lawful and not in conflict with the terms of the Consent Decree. Accordingly, we expressed no concern about the method chosen by the Government of Guam to pay the compensation ordered by the Superior Court of Guam. We did, however, follow these matters closely due to its importance to the Consent Decree, but made no formal inquiries, anticipating its resolution would become clear through public documents.

Early in 2014, the Government of Guam confirmed the use of tax credits to compensate the former landowners but declined to offer any specifics citing taxpayer confidentiality as the reason. Senator Cruz

¹ See Order of the District Court of Guam appointing GBB as Receiver, dated March 17, 2008.

did receive some information through a Freedom of Information Act Request confirming that former landowners had been approved for \$13,329,429.54 in tax credits, of which \$3,341,549.91 had been used by six tax payers (see Tab 13). Some press reports suggested that additional tax credits had been approved but there was no clear information available to substantiate these reports.

Given the absence of clear information and our responsibility to fully understand the Government of Guam's compliance with this vital aspect of the Consent Decree, we initiated a request for certain documents from the Government of Guam. This request for documents was made pursuant to the authority the Court conferred on the Receiver when it ordered that the Receiver shall have "...full and complete access to the documents, books, records, electronic databases held by any Government of Guam entity that has in its custody records deemed necessary by the Receiver to ensure compliance with the Consent Decree."²

In a series of letters to the Governor's Legal Counsel, the Receiver has requested the necessary documents to determine compliance with this Consent Decree requirement. The letters from the Receiver and the responses to those letters are submitted as Tabs 14(a) through 14(g). While some useful information has been provided, the Government has not provided the documents we have requested, citing federal confidentiality rules that protect the taxpayer's tax returns from disclosure. We have not requested copies of tax returns. We are requesting the documents required by Guam law to authorize the tax credits used to compensate the former landowners and a full accounting of the tax credits made available and the tax credits actually applied to date, to compensate the former landowners. When the issue of confidentiality was raised by the Office of the Governor, we asked that Government of Guam Officials work with our legal counsel to submit any documents the Government of Guam believed to be confidential under the federal rules they cited, to the District Court under seal to allow the Court to assure that any legitimate confidentiality is protected. As of the date of this report, the Government of Guam continues to decline to provide these documents under a claim of confidentiality, indicating that it could not even allow the District Court to see the documents. Given that we have not asked for tax returns and that the compensation paid to the former property owners is clearly a matter of importance to comply with the terms of the Consent Decree, we are not convinced that there is any valid justification for their decision to withhold the requested documentation. However, since the issue of confidentiality has been raised by the Government of Guam, we think the District Court is the proper authority to determine the validity of the claim of confidentiality.

While we have not received the requested documents, the Governor's legal counsel has provided some basic information which has been helpful. In providing this information, however, they have not identified the former owners by name, listing them only as Taxpayer A, Taxpayer B, etc., however, this information is already a matter of public record (see Tab 15).

The information provided by the Governor's Legal Counsel is contained in Tables 12 and 13. Table 12 summarizes the unidentified former landowners by their percentage ownership interest, the amount of

² See Order of the District Court of Guam appointing GBB as Receiver, dated March 17, 2008.

the judgment owed, interest owed on the judgment, and the total tax credits available to these former landowners.

Table 12. Tax Credits Authorized for Former Layon Landowners

Tax Credits Authorized for Layon Property				
Guam Public L. 14-69; 11 G.C.A. § 38101				
As of 9/30/2014				
Owners	% Ownership	Amount of Judgment	6% Interest from 1-24-2008	Total Tax Credits Available
Taxpayer A	50.0%	\$ 10,852,841.50	\$ 4,385,142.64	\$ 15,237,984.14
Taxpayer B	25.0%	\$ 5,426,420.75	\$ 2,041,276.57	\$ 7,467,697.32
Taxpayer C	8.0%	\$ 1,736,454.64	\$ 701,622.81	\$ 2,438,077.45
Taxpayer D	8.0%	\$ 1,736,454.64	\$ 701,622.81	\$ 2,438,077.45
Taxpayer E	5.0%	\$ 1,085,284.15	\$ 435,481.42	\$ 1,520,765.57
Taxpayer F	1.5%	\$ 325,585.25	\$ 115,391.01	\$ 440,976.26
Taxpayer G	1.2%	\$ 269,801.64	\$ 95,132.86	\$ 364,934.50
Taxpayer H	0.8%	\$ 180,699.81	\$ 63,715.29	\$ 244,415.10
Taxpayer I	0.4%	\$ 92,140.62	\$ 35,179.00	\$ 127,319.62
Totals	100.0%	\$ 21,705,683.00	\$ 8,574,564.41	\$ 30,280,247.41

The Governor's Legal Counsel also provided information about the total tax credits actually applied to the judgment. Table 13 contains this information.

Table 13. Tax Credits Paid

LAYON LANDFILL CONDEMNATION PAYMENTS	
As of September 30, 2014	
Judgment (CV0084-08)	\$21,705,683
6% Interest from 01/24/2008	\$8,574,564
Total Liability/Tax Credits Available	\$30,280,247
Tax credits paid	\$ (10,970,863)
Cash or other forms of payment made, including non-monetary assets or things of value	\$0
Balance of Unpaid Judgment	\$ 19,309,384

Other information provided by the Governor's Legal Counsel includes the following:

- Interest continues to accrue at six percent on the unpaid balance of the judgment;
- The tax credits will remain available until used;

- There is no written agreement with the former landowners that the credits made available are full satisfaction of the judgment;
- A “Satisfaction of Judgment” document has not been signed by any of the former landowners;
- The Superior Court of Guam has not approved the use of tax credits to pay the judgment;
- It is the position of the Governor’s Legal Counsel that it is not necessary for the Superior Court of Guam to approve the payment of the judgments by tax credits;
- Unused tax credits do not expire and may be carried over from month to month until used.

Given the unpaid balance reported by the Governor’s Legal Counsel for September 30, 2014, the interest accruing on the unpaid balance amounts to an additional obligation in excess of \$95,000 per month. We do not know how much, if any, additional payments have been made to the former landowners since September 30, 2014.

The Government of Guam has declined to provide any information concerning the amount paid to individual former landowners. It is also clear that the decision to invoke confidentiality concerning the use of tax credits to pay for property acquired by the Government is not a policy that is consistently applied by the Government of Guam. When it purchased property from CoreTech International in Tiyan for use by Guam Schools, the amounts paid by tax credit to Core Tech International were widely disseminated by the Office of the Governor. Other than the businesses paid, it is difficult to discern any reasonable basis for its disclosure in one case, and the refusal to disclose it in the other.

In addition to the information provided by the Governor’s Legal Counsel, we have also received some unsolicited information through other sources. Specifically, we have been provided a copy of an email dated in December 2014, from Anita Arriola, an attorney who served as legal counsel to some of the former landowners during the litigation of this matter in Superior Court, who provided information to a member of Guam’s media, who, in turn, shared the email with us. In this email, Attorney Arriola states that most of the “DanDan landowners” received tax credits in lieu of just compensation damages. She further states that “To my knowledge, Oxford Properties (my former client during the trial but who has new post-judgment counsel) and Al Ysrael were the only holdouts and did not apply for tax credits but are still insisting on just compensation damages. “Attorney Arriola further clarifies that her information may be old, suggesting that she is not certain that it remains valid. The email containing this information is submitted as Tab 16.

Assuming the information provided by Attorney Arriola is correct, seven of the nine former landowners have applied for and received tax credits. The information provided to Senator Cruz in March 2014 by the Director of the Department of Revenue and Taxation indicated that tax credits had been authorized for six tax payers. However, during the intervening period of time between these two communications one additional tax payer was apparently authorized and received tax credits.

Based on this information and the information provided by the Office of the Governor, we can reasonably conclude a range of payments made to the former landowners using tax credits (see Table 14). The first scenario, which we will call Scenario A, assumes that the Governor’s family business was at

the low end of the range, and the other former landowners, other than Oxford Properties and the Ysrael's, who apparently declined this method of compensation, were fully compensated. Scenario B assumes that the Governor's family business was fully compensated, with the other former landowners receiving proportionate amounts of the remaining tax credits that were actually paid. While we cannot ascertain from the information the exact amounts paid to each former landowner and the unpaid balance still owing to individual former landowners, the information provides a useful guide to the approximate distribution of the payments actually made by the Government of Guam.

Table 14. Range of Likely Payments to Former Landowners

Tax Credits Authorized for Layon Property							
Guam Public L. 14-69; 11 G.C.A. § 38101							
As of 9/30/2014				Range of Potential Distribution of Payments			
				Scenario A		Scenario B	
Owners	% Ownership	Allocation of Initial Payment	Total Credits Redeemed	Total Compensation	Total Credits Redeemed	Total Compensation	
Taxpayer A	Oxford Properties & Finance, Ltd.	50.0%	\$ 1,700,938.10		\$ 1,700,938.10		
Taxpayer B	Calvo's Insurance Underwriters, Inc.	25.0%	\$ 850,469.31	\$ 4,917,062.62	\$ 5,767,531.93	\$ 7,467,697.32	
Taxpayer C	Valencia Investments Corporation	8.0%	\$ 272,150.22	\$ 2,438,077.45	\$ 2,710,227.67	\$ 1,410,847.52	
Taxpayer D	Jones and Guerrero Company, Inc	8.0%	\$ 272,150.22	\$ 2,438,077.45	\$ 2,710,227.67	\$ 1,410,847.52	
Taxpayer E	Alfred and Diana Ysrael	5.0%	\$ 170,093.91		\$ 170,093.91		
Taxpayer F	Lee and Joan Holmes	1.5%	\$ 51,028.21	\$ 440,976.26	\$ 492,004.47	\$ 255,180.68	
Taxpayer G	Douglas F. Cushnie	1.2%	\$ 42,285.39	\$ 364,934.50	\$ 407,219.89	\$ 211,177.43	
Taxpayer H	Joaquin C. Arriola	0.8%	\$ 28,320.68	\$ 244,415.10	\$ 272,735.78	\$ 141,436.21	
Taxpayer I	Young Chull Kim	0.4%	\$ 14,441.05	\$ 127,319.62	\$ 141,760.67	\$ 73,676.32	
Totals		100.0%	\$ 3,401,877.09	\$ 10,970,863.00	\$ 14,372,740.09	\$ 10,970,863.00	

The Court has insisted on a very high standard of transparency in all financial transactions associated with the Consent Decree. All financial transactions paid directly by the Receiver are published in our reports and made available to the public on our website. Other than payments made pursuant to a Court Order or transfers of funds directly to the Government of Guam itself, all payments made by the Receiver are disclosed in advance to key government officials to allow them time to review and object if they think the payment should not be made.

The Court has also placed strong emphasis on ensuring that all land acquired to implement the Consent Decree, is properly acquired and that all private landowners are properly compensated for the land taken for Consent Decree purposes. This even includes land taken long ago by the uncontrolled expansion of the Ordot Dump onto private land. All financial transactions for these long overdue land transactions for compensation to the former Ordot landowners are made available to the public.

We will continue to work through our own counsel to secure the needed information to provide a full and accurate accounting for these transactions and any unpaid balance owed. However, should the Government of Guam continue to refuse to provide the information needed to assure that all former Layon landowners have been properly compensated, we will be asking the Court to issue a specific Order requiring that the information be provided.

Reserves of the GSWA

Table 15 outlines the status of the reserves of GSWA on December 31, 2014. These reserves are for the purpose of setting funds aside to pay for the future needs of the system.

Table 15. Reserves of the GSWA

Reserves of the Guam Solid Waste Authority	
<i>As of 12/31/2014</i>	
Reserves	Total
Equipment Replacement Reserve	\$ 2,114,181.56
New Cell Development Reserve	\$ 155,320.88
Cell Closure Reserve	\$ 155,320.88
Post-Closure Care Reserve Layon Landfill	\$ 310,641.51
Post-Closure Care Reserve Ordot Dump	\$ -
Total Reserves.....	\$ 2,735,464.83

Table 16 provides the Court with the status of the special account established to address the cost of legal expenses, future capital requirements and the post-closure care of the Ordot Dump.

Table 16. Special Reserve

Special Reserve for Unfunded Expenses	
<i>As of 12/31/14</i>	
Deposits/Withdrawals	Amount
Balance at 6/30/14	\$ 749,516.16
July 2014 Deposit	\$ 374,758.08
August 2014 Deposit	\$ 374,758.08
September 2014 Deposit	\$ 374,758.08
October 2014 Deposit	\$ 374,758.08
November 2014 Deposit	\$ 374,758.08
December 2014 Deposit	\$ 374,758.08
Total Deposits	\$ 2,248,548.48
Interest Earnings (less Bank Charges)	\$ 654.27
Withdrawals*	\$ (42,144.18)
Balance at 12/31/14.....	\$ 2,956,574.73
<p>Note: The balance in this reserve on 6/30/14 was being tracked by the Receiver but not segregated in a separate account. The Court approved the separate account on 9-12-14 and the account was established. The initial deposit to the account was made on 10/20/14 for \$2,248,548.48. This is the total balance reported for June 30, 2014 plus deposits for July - October, 2014.</p> <p>*Withdrawal was to transfer funds to the District Court account to pay Receiver legal expenses as approved by the Court's Order dated 12/5/14 and 12/9/14.</p>	

Bridge and Roadway Repairs and Replacements

The Receiver continues to monitor the status reports concerning bridge and roadway projects provided by DPW. Table 17 compares the status of these projects in the report provided by DPW for the period ending June 30, 2014, with the Status Report submitted by DPW to the Court for the period ending December 29, 2014.

Table 17. Status of Consent Decree Bridge and Roadway Projects

Status of Consent Decree Bridge and Roadway Projects		
Project	Completion Date in 6/30/14 Status Report	Completion Date in 12/29/14 Status Report
Ylig Bridge Replacement	October-14	March-15
Togcha Bridge Rehabilitation	Project Complete	Project Complete
Talofofo Bridge Rehabilitation	Project Complete	Project Complete
Route 4 Pago Bay to Route 17	Project Complete	Project Complete
Route 4 Togcha River to Ipan Beach	TBD**	Project Complete
As-Alonso Area of Route 4	TBD	TBD
Route 4 Safety Issues	TBD	TBD
**DPW's 6/30/14 report says the project is on schedule, but no schedule is provided. DPW's 12/29/14 Report says the project is complete.		

DPW reports that all projects other than the Ylig Bridge project, repair of the earthquake damage in the As-Alonso Area and the Route 4 Safety Projects are now complete. Based on the report, it appears that the Ylig Bridge project is now nearing completion. Given the extensive hearings recently completed by the Court on the Government of Guam's Financing Plan, the Court is familiar with the status of the Route 4 and As-Alonso projects, so we will not address them here.

Waste Disposed at the Layon Landfill

The final data on total waste disposal during FY 2014 show a modest increase of one percent. Table 18 shows total waste disposed by customer type during the period October 1, 2013, through June 30, 2014, compared to the same period one year earlier. While there was a small amount of growth in waste disposal by commercial customers, all other categories declined except Government and Other. The growth in the category of "Other" is driven by an increase in the amount of glass collected by GSWA and used as alternative daily cover at the landfill as well as community clean-up activities. The decline in the residential waste category is driven by increased recycling. With a continued emphasis on recycling and the implementation of the Household Hazardous Waste program, there is an opportunity for these programs to further decrease the amount of waste disposed in the landfill. This will require continuing emphasis and vigilance by all of Guam's residents and Officials to achieve the maximum benefits from recycling.

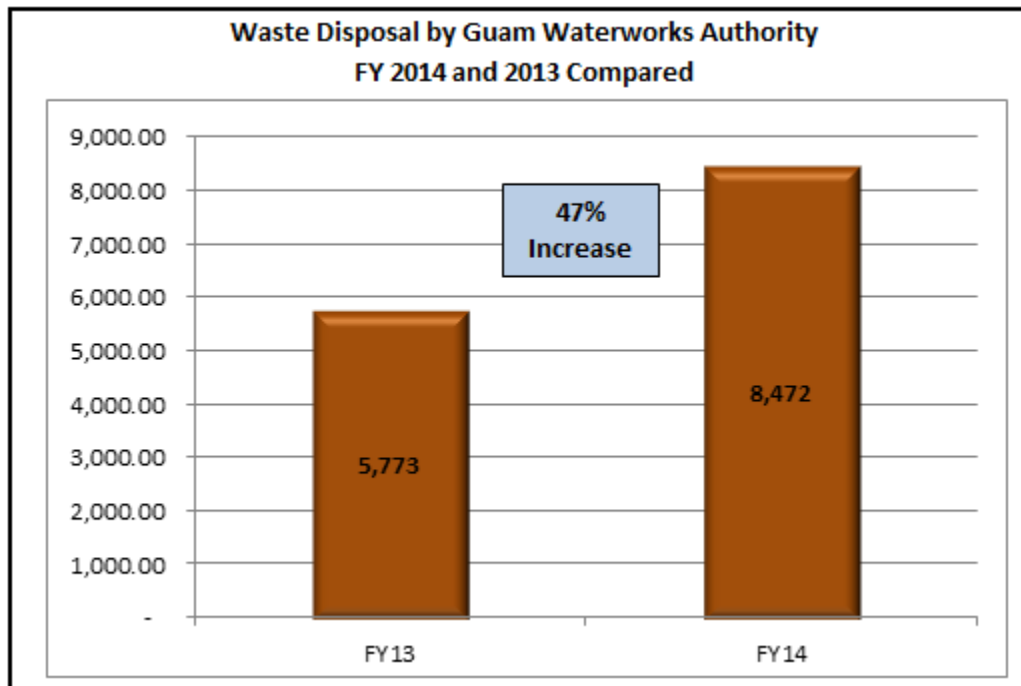
Table 18. Total Waste (Tons) Disposed by GSWA

Change in Waste (Tons) Disposed by GSWA			
By Customer Group			
Comparing October to September FY2013 with FY2014			
Customer	FY 2013	FY 2014	% Change
Residential	19,577	18,632	-4.8%
Commercial	53,017	53,357	0.6%
Military	7,923	7,612	-3.9%
Government	6,162	8,868	43.9%
Mayors	1,565	1,478	-5.5%
Transfer Stations	5,591	4,798	-14.2%
Other	107	114	6.4%
Total	93,943	94,859	1.0%

Note: About 3 percent of the waste handled by GSWA is not landfilled due to removal of excluded waste and water loss.

The small amount of total growth that occurred is clearly driven by the waste disposal of GWA. Had the growth in GWA disposal not occurred, total waste disposal for the FY 2014 year would have declined about two percent. Figure 22 illustrates the growth that occurred in GWA waste disposal during the year ending September 30, 2014.

Figure 22. Waste (Tons) by GWA



During the first quarter of FY 2015, there was growth in the amount of waste disposed at the Layon Landfill in all categories of customers with the strongest growth continuing to come from GWA. Table 19 compares the growth in each customer group during the period October 1, 2014 to December 31, 2014 with the same period during FY 2013.

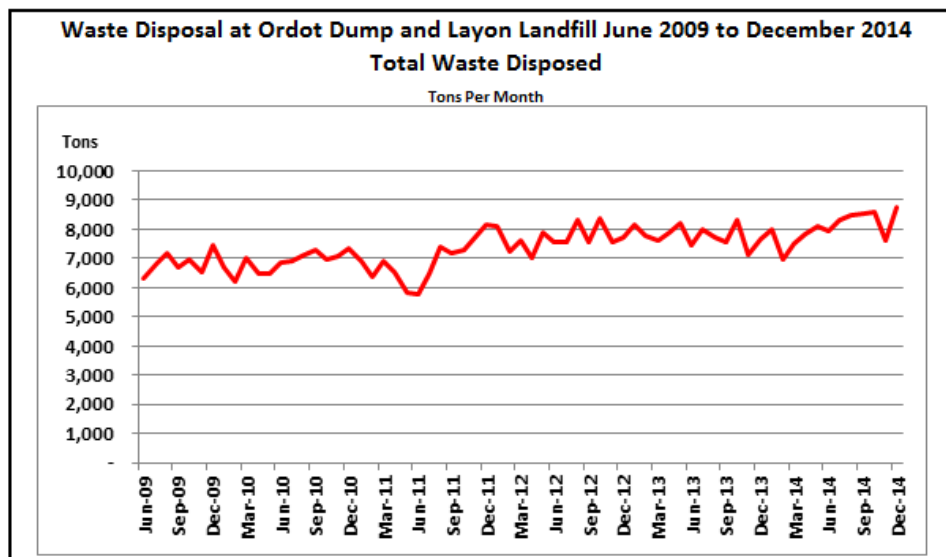
Table 19. Total Waste (Tons) Disposed by GSWA

Change in Waste (Tons) Disposed by GSWA			
By Customer Group			
Comparing October to December FY2013 with FY2014			
Customer Group	FY 2014	FY 2015	% Change
Residential	4,770	4,971	4.2%
Commercial	13,139	13,770	4.8%
Military	1,851	2,031	9.7%
Government	1,725	2,468	43.1%
Mayors	351	415	18.2%
Transfer Stations	1,261	1,262	0.1%
Other	20	27	35.0%
Total	23,117	24,944	7.9%

Note: About 3 percent of the waste handled by GSWA is not landfilled due to removal of excluded waste and water loss.

On a long-term basis the level of waste disposal continues to be relatively stable. Figure 23 illustrates the variation in month-to-month disposal since the Receiver installed an accurate scale system in June 2009.

Figure 23. Long-term Trend in Guam Waste Disposal



We will continue to monitor this very carefully and keep the Court informed.

6. Next Steps

Ordot Dump Closure

- Continue completion of Phase I and Phase II construction activities
- Continue project management of construction work to facilitate contractor's effort to catch up the time lost on the schedule
- Continued development of the Ordot Dump Post Closure Care procurement documents

Design and Construction Management

- Conduct a review of the DPW 25 percent conceptual design for Route 4 Curve Safety project
- Continue to track DPW progress on bridge/road work and the As-Alonso area stability study
- Address the Residential Transfer Station designs, permitting and construction along with the Dero Road renovation as directed by the Court

Layon Operational Support

- Address remaining improvements to leachate collection/pumping system
- Finalize schedule and agreement with Guam SHPO for Reburial of Archaeological remains

Environmental Compliance and Monitoring

- Pursue final review of the Ordot Post Closure Care Plan with GEPA/EPA
- Continue to conduct GEPA/EPA bi-weekly meetings to guide and manage environmental permitting and compliance
- Report Operation Year No. 4, first event of the Semi-Annual Detection Monitoring Program
- Continue to report and manage environmental compliance monitoring of the Layon Landfill operations
- Continue to manage, monitor, and report the results of the quarterly Inarajan WWTP monitoring program
- Conduct procurement for environmental monitoring services beyond 2015

Financial

- Continue to work with contractors to complete the Consent Decree projects
- Carefully manage the Trustee Accounts and other bank accounts of GSWA; keep all parties informed
- Continuously monitor the system's cash flow to ensure that sufficient cash is on hand at all times
- Continue to carefully monitor expenditures and revenue collections
- Monitor the volume of waste and update rate information accordingly
- Track the new HHW program by carefully monitoring its budget impact on the FY 2015 budget
- Continue to enforce the policies to ensure that delinquent residential and commercial accounts are paid in full or service is terminated

- Monitor government accounts and continue to work with GovGuam to address deficiencies
- Address the capital needs of GSWA in compliance with the Orders of the District Court
- Assist the members of the GSWA board in preparing for their role after the Receivership ends
- Work with legal counsel to complete land acquisition for closure of Ordot Dump
- Continue to seek the needed information to determine the status of the Government of Guam's payments to the former Layon Landowners