

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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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 second and third quarters 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 reporting period January 1, 2015, to June 30, 2015, 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 of the 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. The Receiver also continued to oversee operations at the state-of-the-art, environmentally sound Layon Landfill, constructed pursuant to the Consent Decree, and 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.

Despite a series of challenging weather events, including three named storms in March; Typhoon Dolphin in May; and, Typhoon Chan Hom in early July, major progress continued during the reporting period toward the environmental closure of the Ordot Dump. Construction completion of the Dero Road sewer line system, installation of a majority of the covering systems over the eastern and western half of the dump surface area, the initiation of leachate collection and treatment, the continued stabilization and covering of slopes, and the installation of leachate, stormwater management and perimeter security fencing systems all progressed. By the end of these two quarters, construction of the east side cover system, along with substantial progress on the installation of the west side cover system and gas control systems occurred. In addition, environmental monitoring activities continued, including Layon groundwater and gas monitoring, leachate and marine water monitoring, and gas monitoring at the Ordot Dump.

Also during the reporting period, GSWA's residential customer base increased to 17,558 at the end of June 2015. GSWA staff performed 442,717 residential trash collections, of which 99.79 percent were on time. The GWSA also operated the three residential transfer stations and staffed both scale houses at the Hauler-only (commercial) Transfer Station and the Layon Landfill. On January 23, 2015, GSWA opened the new Harmon Residential Transfer Station and Household Hazardous Waste Facility. At the request of the Governor of Guam's office, the Dededo Residential Transfer Station was closed at the end of June 2015. 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 1,178.20 tons of material for recycling during the reporting period. The Bulky Item Collection Program, launched in September 2011, continues to be well received; during the reporting period, GSWA staff collected 2,285 items in response to 825 appointments. The GSWA Board of Directors held three meetings during the reporting period.

During the reporting period, procurement activities for GSWA were primarily related to its appeal of the Office of Public Accountability's (OPA) decision to overturn GSWA's decision to procure for cab-over or flat nosed trash trucks but should instead purchase marginally less expensive conventional or long nosed cab trucks. GSWA has appealed the OPA's decision to the Superior Court of Guam because the flat nosed trucks in urban residential settings provide better sight viewing for the road which provides greater safety than a long nosed cab. Significant time was also required to respond to Maeda Pacific Corporation's effort to avoid paying the liquidated damages required under the contract due to its failure to adhere to the contractually agreed upon schedule for delivering the Household Hazardous Waste Facility to GSWA.

In the financial area, GSWA operating results for both three-month reporting periods were strong, with revenue exceeding the budget and expenses coming in under the budget for both reporting periods. GSWA's cash position also remained strong during the reporting periods. The fund balance is estimated by the Receiver to have increased during both reporting periods.

Thanks to the hard work of GSWA staff, the residential delinquency rate remained low during both reporting periods and the number of customers taking advantage of the GSWA's online billing and payment options continued 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. Waste disposal from all customers increased 3.1 percent. All categories of waste disposal experienced growth, except for Government. The decline in the category of waste coming from the Government was due to operations issues within GWA causing a significant decline in the amount of biosolids disposed.

In this Report, we present the following updates for January 1, 2015, to June 30, 2015:

- 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. Financial Plan for Additional Projects and Ordot Post-Closure Care

7. Next Steps

1. Ordot Dump Closure (January 2015 – June 2015)

The Ordot dump closure construction has two planned phases. Phase I is the construction of the cover system over the eastern half of the dump and the 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 Dero Road sewer line system and began its operation;
- Completed the Dero Road sewer lateral lines to adjacent properties;
- Completed installation of soil foundation layer for cover system;
- Completed installation of geomembrane layer of the cover system;
- Completed gas collection system;
- Continued placement of geocell and coralline limestone ballast cover;
- Continued construction of stormwater management systems;
- Continued material submittal review, procurement and logistics;
- Continued all construction quality assurance of the cover system; and
- Continued weekly construction progress meetings.

Phase II construction activities progress from the west side of the south slope toward the west and north slopes of the cover system. The work activities continued or completed in the reporting period included the following:

- Completed relocation and consolidation of waste on south and west slopes;
- Completed western leachate interceptor trench;
- Completed construction of stormwater management system on west side;
- Completed construction of pond 2 detention basin;
- Completed installation of soil foundation layer on south side;
- Continued installation of all geo-synthetic cover layers (geocomposite, geomembrane and geocell);
- Continued installation of gas collection system;
- Continued western perimeter leachate collection system;
- Continued mass earthworks along west side slopes for perimeter roadway development;
- Continued construction of stormwater management system on south and west cover areas; and,
- Continued construction of perimeter security fencing.

Work during the reporting period also included the continued erosion and sediment control efforts to manage stormwater and monitoring for unexploded ordnance (UXO) on the construction site, 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 – This period of reporting is the driest part of the year and yet there was a total of twelve named storms by the end of June—and of those, five became typhoons. Three storm periods, one in March, one in May (Typhoon Dolphin), and one in early July (Typhoon Chan Hom) brought damaging wind and rain to the project. These unfavorable weather events have caused the pace of construction to slow and the need to purchase additional material to replace material damaged by the storms. The contractor has worked to make up for the weather delays by working more labor hours during favorable weather but the delays caused by weather have extended construction into the wet season. Notwithstanding the ongoing unpredictable weather, construction tasks of Phase I were substantially completed in this period and progress was pushed closer to completion on Phase II work activities. The weather necessitated an increase in labor resources to have on hand so that when favorable weather occurred, additional resources could be immediately put to work to allow the contractor to catch up some of the time lost due to poor weather conditions and repair damaged construction.

For the period ending June 30, 2015, several major construction tasks, as listed above for Phase I and II, were completed, nearing completion, or had made significant progress.

PROGRESS PHOTOS

In the first progress photo, it can be seen that there was still waste to be covered at the upper levels on the south side, and across the entire south slope. Construction status ranged from just the initial soil protection layer installed over the waste (on the left side of photo) in Phase II, to a completely installed cover system with geocell being infilled with coral gravel in Phase I on the right half of the slope.

Figure 1 MARCH 2015 – South Slope of Dump from LeoPalace Road



In this second progress photo from late June, there is substantial progress on the south slope. Phase I, the right side of the south slope, has coral gravel installed in the majority of the geocell and stormwater swales and down drains are in place across the slope. On the left side of the south slope, Phase II, all geo-

synthetics have been installed and the majority of the geocell is in place with coral gravel infill as well as several locations with stormwater down chutes completed.

Figure 2 JUNE 2015 – South Slope of Dump from LeoPalace Road



Leachate Collection and Dero Road Sewer Line – The Dero Road sewer line was completed in late January 2015. It delivers leachate collected from the dump to the leachate collection tanks to be pumped to the Dero Road sewer line. Through June 30, 2015, more than 2.5 million gallons of leachate has been captured and diverted from being discharged into the environment from the east side of the dump. When the Phase II leachate collection system is fully complete on the west side of the system, the sewer line will deliver all leachate from the entire Ordod Dump to the Hagatna Wastewater Treatment Plant for proper disposal.

The leachate quality and quantity is reported quarterly to GWA as well as to the Guam Environmental Protection Agency (GEPA) and the United States Environmental Protection Agency (EPA). As of this reporting, the leachate quality has met GWA discharge standards to the public sewer system and flow volumes have been within the anticipated design targets. After consulting with the Director of Public Works, it was decided to defer pavement patchwork until the Dero Road improvement project is undertaken. This decision saves \$190,000 that would otherwise have been required for this project.

Also of note is an incident in May in which the new Dero Road GWA pump station was vandalized with several gunshots to the backup generator system. GWA's storm routine system checks uncovered the vandalism and reported it to the Receiver. The Receiver had the necessary repairs completed and the system fully operational before the storm events.

Cover Installation (Eastern Half) – Coinciding with the installation of the leachate and sewer systems described above, the cover over the eastern half of the dump progressed substantially in all aspects with the 60 mil polyethylene membrane in place and the majority of the component layers nearly completed by the end of June 2015. Again, weather delays substantially impact these critical path tasks and backed up further progress on Phase II tasks. 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; and,
- 18 inch coralline limestone gravel protection layer.

Figure 3 Landfill cover layers as they are constructed



Figure 4 Landfill cover construction sequencing



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 conveyance channels are shown in Figure 5. 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. These systems are used throughout the construction activities as they are completed in Phase I and II and, after the cover system, are the remaining major facility structures to complete.

Figure 5 Down drain to box culvert conveyance to Pond No. 1

(Note: visible in this photo are a ladder, sandbags, and some silt fence which washed into the channel from a large storm event.)



Additionally, Black Construction Corporation (BCC) has continued construction of Phase II work tasks as outlined above, concentrating on earthworks around ponds, perimeter roadways, and cover bench swales to direct site stormwater into the final design watershed areas. The schedule for this work has also been hampered by the storm events throughout the reporting period.

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. That work in Phase II, on the west side, was substantially complete in this reporting period (See Figure 6 and 7) as the cover system quickly followed (see Figure 7). At the same time, the perimeter road waste shaped along the Western Channel Relocation area to allow stabilization and vegetative establishment (Figure 9). This work advanced significantly in this reporting period.

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



Figure 7 West side soil protection layer complete (March 2015)



Figure 8 West side cover system installation all layers ongoing (June 2015)



Figure 9 Western Channel Relocation area and perimeter roadway (June 2015)



Western perimeter leachate collection system – As with the east side, Phase I, the west side also has a perimeter leachate collection pipe and trench system that captures leachate from the waste pile at the toe of the slope. This work progressed with the installation of the cover system and shredded Guam tires were reused as aggregate in the collection trench. When complete, along with the cover system, this leachate collection system will be connected with the existing east side, now in operation, to collect leachate around the entire Ordot closure facility. This is anticipated to occur in the next reporting period. Figure 10 shows the installation of this perimeter leachate collection pipe along the west side.

Figure 10 West side leachate perimeter collection trench installation



Gas Collection and Control System – Hand-in-hand with the construction of the cover system is the gas collection system beneath it. Ongoing work on the installation of the gas extraction wells and horizontal collection piping continued and was nearly completed in the reporting period. As of the filing of this Report, the gas collection system is complete and the system is in operation collecting landfill gas over the entire Ordod Closure system. This gas is methane, one of the more potent greenhouse gases impacting global warming. Figure 11 shows some of this system and the gas flare installed for proper disposal of this gas.

Figure 11 Gas collection system components (Gas extraction wells and Gas Flare)



Perimeter Security Fencing – Initiated in this reporting period, ultimately surrounding the entire closure facility encompassing the closure cover system, stormwater ponding basins, gas collection system,

leachate collection system, and perimeter groundwater and gas monitoring wells— is an eight-foot high security fence system. It will be a continuous fence with vehicular and personnel gates at regular intervals to facilitate maintenance of the property, fencing, and the firebreak around the site. The fence foundation also has a continuous concrete foundation for the prevention of burrowing animals from the facility. The fence is approximately 7,120 feet in length.

Figure 12 Perimeter Security Fence



As stated in the prior report (March 2015), as of December 31, 2014, BCC was approximately 30 days behind schedule. Concerted efforts have been underway to accelerate many construction activities in the dry season, especially those of Phase II throughout the reporting period (January through June 2015). While these efforts have resulted in marked progress on certain work tasks, the multiple storm events this year have slowed some of that progress. For example, the damages from Typhoon Dolphin to the cover system resulted in over 50,000 square feet of material that could not be reused. New orders from the manufacturer were made; however, recent production stoppages in the mainland have delayed delivery of the material delaying placement to November. As of the date of this report we believe that the work will be substantially complete in mid to late December assuming no additional adverse weather events or other circumstances beyond the contractor's control.

UXO Safety – No additional unexploded ordinance (UXO) has been identified since August 19, 2014. The Receiver and all contractors 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, the Receiver will compile a summary UXO report.

Post Closure Care Plan and Operations – Under Federal law and regulation, the Ordot Dump Facility must be managed and cared for in compliance with an approved Post Closure Care plan, for thirty years following the completion of closure construction. The Receiver has developed a post-closure plan in compliance with the Consent Decree and the Federal and Local regulatory requirements that is currently under review by the regulatory agencies. The Receiver continues to work closely with representatives from GEPA and USEPA to assist them in completing their review and final approval of the Post Closure

Care Plan. In this reporting period, the Receiver has used bi-weekly teleconferences and technical calls to facilitate this process. EPA provided ongoing comments to the Post Closure Care Plan dated February 19, 2015, and March 23, 2015, to which the Receiver provided a revised Post Closure Care Plan in May addressing comments and updating the Post Closure Care Cost estimate as needed. At this time, approval of the plan is still pending with the regulatory agencies.

Just as with the Layon Landfill, a qualified operator must be selected to manage the post-closure care of the Ordot Dump. One of the Receiver's current priorities is the issuance of a Request for Proposals (RFP) to select such an operator. 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.

Dero Road Renovation Design – In accordance with the Court's Order of May 1, 2015, regarding Financing the Dero Road Project, the Receiver has directed its contractors to redesign Dero Road to eliminate bicycle lanes and pedestrian ways with shoulder-to-shoulder repaving of Dero Road, including necessary stormwater mitigation, beginning just before the new pump station and terminating at the westernmost boundary of the Ordot Dump property. The Receiver expects to begin the procurement process to move this project to construction as soon as the redesign is complete.

2. Layon Landfill and Consent Decree Projects (January 2015 – June 2015)

Access Road (Chalan Layon)

During the construction of the Access Road for the new landfill, the remains of ancient Chamorro ancestors were discovered. In compliance with Guam law and with the guidance and approval of Guam's Historic Preservation Office (HPO), these remains were treated with respect and a fitting re-interment in a crypt designed and constructed for this purpose. It has been a slow and painstaking process. During May and June, the Receiver coordinated with HPO and had a tentative ceremony date scheduled for mid-June; however, circumstances related to weather and scheduling necessitated a rescheduling of the ceremony to mid-July. The crypt was completed at a location along the roadway in time for the reinterment ceremony that took place on July 17, 2015. The Receiver would like to point out the support of the village of Inarajan through the Mayor of Inarajan, Ms. Doris Lujan, in providing traffic control, a canopy, and chairs, as well as a podium and public announcement system to facilitate a solemn and moving tribute to the ancestral finds now reinterred at the crypt. The ceremony was well attended including Speaker Judith Won Pat of the Guam Legislature. The Village of Inarajan will be taking custodial care of the monument as a village responsibility to maintain the grounds around the crypt for all to experience.

Figure 13 Inarajan Crypt and Interment ceremony attendees



Construction Management

During the reporting period, the construction management (CM) consultant, GHD, provided ongoing construction support in all areas of the Receiver's construction work. The CM activities consisted of the following:

- Support with the documentation and resolution of the construction claim and dispute with Maeda Pacific Corporation;
- Support for addressing improvements in operations of the Layon Landfill including planning to install surge tanks at two pump stations to assist GWA's management of large amounts leachate produced by significant rain events;
- Assistance to the Receiver in procurement activity as needed; and
- Design support services as described below.

Design Support Services

Upgrade of Residential Transfer Stations – As directed by the Court's Order dated April 20, 2015, the Receiver is developing a plan for the proper environmental closure of the Dededo Residential Transfer Station and to proceed with the work necessary to permit the transfer stations at Agat and Malojloj.

Since this Order, the Receiver has consulted with GEPA and USEPA to establish the parameters for the environmental closure of the Dededo Transfer Station and is currently developing the closure plan and a scope of work to be bid out for the work necessary to close this facility.

Guam's Agat and Malojloj 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 Solid Waste Facility Permit for the Layon Landfill. Upgrades to these facilities are necessary to meet permitting standards.

At the present time, the 90 percent designs have been completed and the projects are ready to proceed with procurement for construction. Both sites will need environmental cleanup prior to the start of construction. The permitting process will be ongoing during the construction process.

Environmental Monitoring and Compliance

Sound environmental practices and permit conditions require extensive and ongoing monitoring of the GSWA facilities, particularly the Layon Landfill. During the reporting period, the Receiver continued to advance environmental compliance coordination with U.S. EPA and GEPA by holding bi-weekly meetings and by regularly reporting data and the results of environmental testing and monitoring. 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 – Since GEPA's issuance of both the Facility Operations permit and Title V Air permit on January 28, 2015, environmental reporting is in compliance with permit conditions. The emergency generator at the facility was included in the permit application for the Title V permit; however, GEPA chose to separate the emergency generator permit and issued it separately.

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

The Layon Landfill is approaching the time when installation of a landfill gas collection and control system must be evaluated. The applicable environmental regulations, however, allows site specific sampling (called Tier 2 sampling) of gas generating from the in-place waste to determine actual gas generation rates, and to use these as a determination of when the gas system should be installed. During May 2015, Tier 2 sampling was conducted at the Layon landfill and reported to both GEPA and USEPA. The sample results indicated that the facility has several more years than anticipated before it will be necessary to install a gas system. We will continue to monitor this carefully to ensure that the landfill remains in full compliance with its permit and applicable environmental regulation.

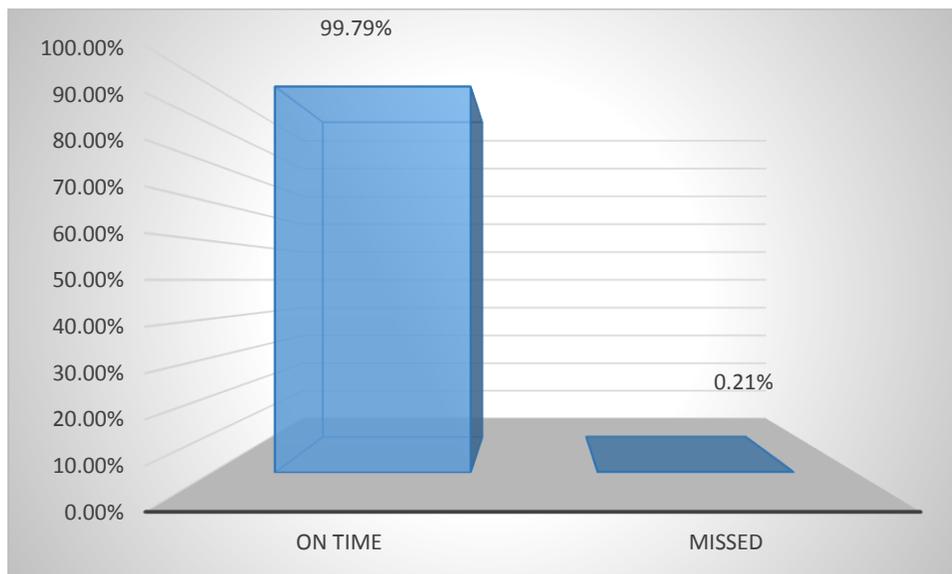
Layon Groundwater and Site Monitoring – The second semi-annual monitoring event for Operations Year No. 4 (September 2014 to August 2015) was performed in mid-May 2015. The report was submitted in late August 2015 to GEPA and EPA. This is one of the many permit required reporting documents that are reviewed and discussed with the regulatory agencies

Inarajan Wastewater Treatment Plant (WWTP) – During the reporting period, leachate and marine water sampling continued in accordance with the monitoring work plan under the Layon permit. Leachate characteristics are 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 with priority pollutants performed once annually. There has been no recent GWA effluent sampling to understand the plants’ recent performance; however, marine water results do not differ significantly from the background locations, and leachate quality appears to be following trends consistent with landfill age and maturation. Sampling for leachate and marine water quality will continue in the future quarters at the current frequency and the Receiver will coordinate with GWA to confirm reported volumes treated by the WWTP. Reports are distributed to GEPA, GWA and EPA regularly.

3. Operations of the Guam Solid Waste Authority (January 2015 – June 2015)

At 2:45 a.m. Monday through Thursday, the collection crews gather for roll call. The supervisor assigns routes to drivers and loaders, reviews administrative information, and discusses collection points that are on a monitor list and need to be called in to dispatch when the crew is at that collection point. By 3:00 a.m. the crews are leaving the GSWA yard to collect their routes. They service more than 17,500 homes each week. At the end of June, GSWA’s residential customer base was 17,558, an increase of 464 customers (2.71 percent) from December 31, 2014. Over the current reporting period, GSWA crews performed 442,717 trash collections, of which 99.79 percent were on time. Figure 14 illustrates the on-time collections during the reporting period.

Figure 14 On-Time Collections, January 1, 2015 – June 30, 2015



GSWA crews collected 9,941.02 tons of trash from their residential customers over the six-month reporting period. Each GSWA customer households generated an average of 44.91 pounds of trash each week, or 6.41 pounds per household per day.

Cart Repairs

During the reporting period, GSWA had seventy-four damaged or broken Toter carts. The carts were repaired and put back into service for GSWA customers. The carts are holding up well to the work demands and Guam weather.

Bulky Item Collections

From the beginning of the bulky items program in 2011 through June 2015, customers have made 4,121 appointments to collect 11,327 bulky items such as sofas and mattresses and white goods such as washing machines and hot water heaters. These are mainly large and bulky items that customers have difficulty transporting to a disposal point. GSWA's curbside residential customers are allowed up to two free bulky item collections each calendar year. The fee for each subsequent collection during the same year is \$25. Residents who are not curbside residential customers of GSWA and are not a commercial entity may make appointments for bulky item collection for \$25 per collection. Metal objects are taken to a local scrap yard to be recycled, and non-metal items, such as mattresses and sofas, are disposed of at the Layon Landfill.

As shown in Figure 15 and Figure 16, from January 1, 2015, through June 30, 2015, GSWA collected 2,285 metallic and bulky items in 825 appointments made by GSWA customers. This represents a slight increase from the preceding six months (July 1, 2014, through December 31, 2014) in both the number of items collected (3.55 percent increase) and appointments made (2.14 percent increase).

Figure 15 Number of Items Collected in Bulky Waste Program for January - June Each Operating Year

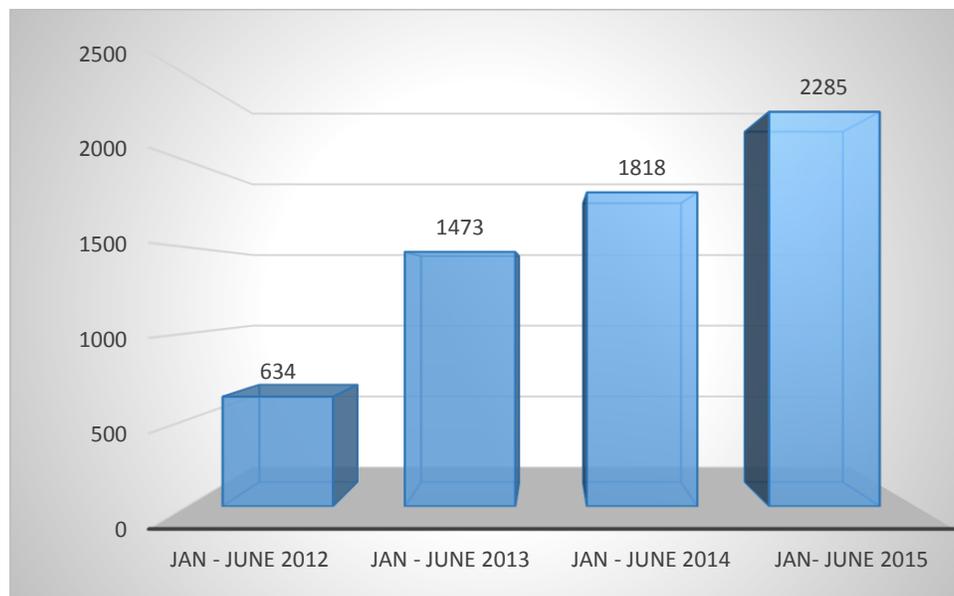
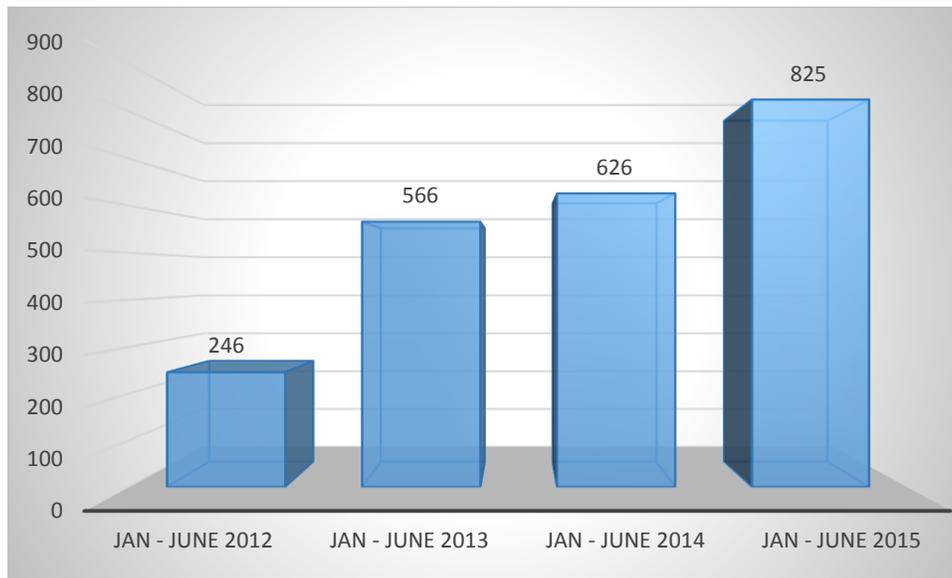


Figure 16 Bulky Item Collections Stops January – June 2012 Through 2015



Consistently over time, the average number of items set out per stop is approximately 3 (rounded from 2.71 for the period January – June 2015). Up to five items can be placed on the curb per customer, per set-out.

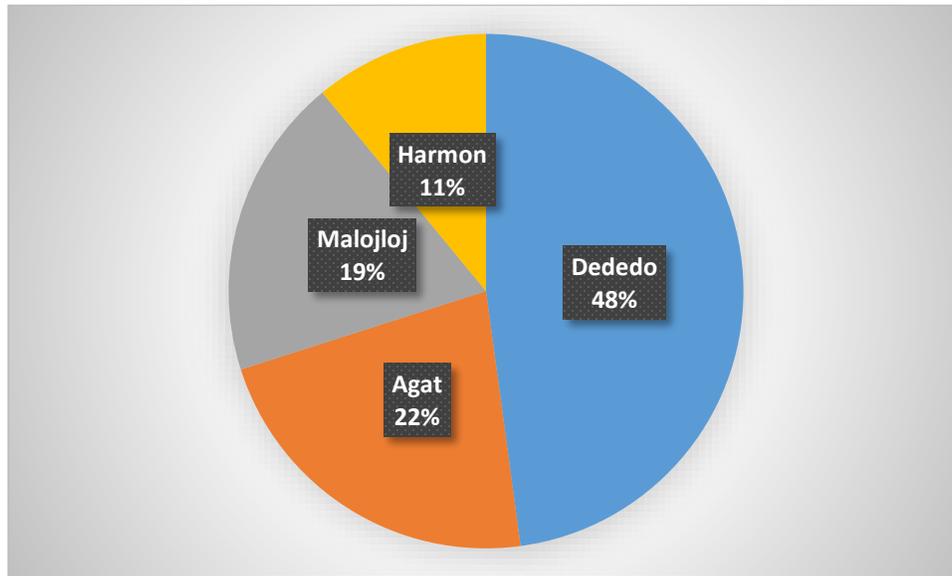
Residential Transfer Stations

GSWA's four residential transfer stations are for disposal of residential trash and recycling; organizations and businesses 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.

In addition to trash during the reporting period, GSWA customers deposited 25.14 tons of glass bottles which GSWA uses as a substitute for coral on the active face of the Layon Landfill. A total of 54.32 tons of cardboard, metal cans, plastic 1 & 2 bottles, and mixed paper that were separated for recycling came from the transfer stations during this time period. (Cardboard = 50.69 tons; Metal cans = 0.4 tons; Mixed Paper = 0.18 tons; Plastics = 3.05 tons.)

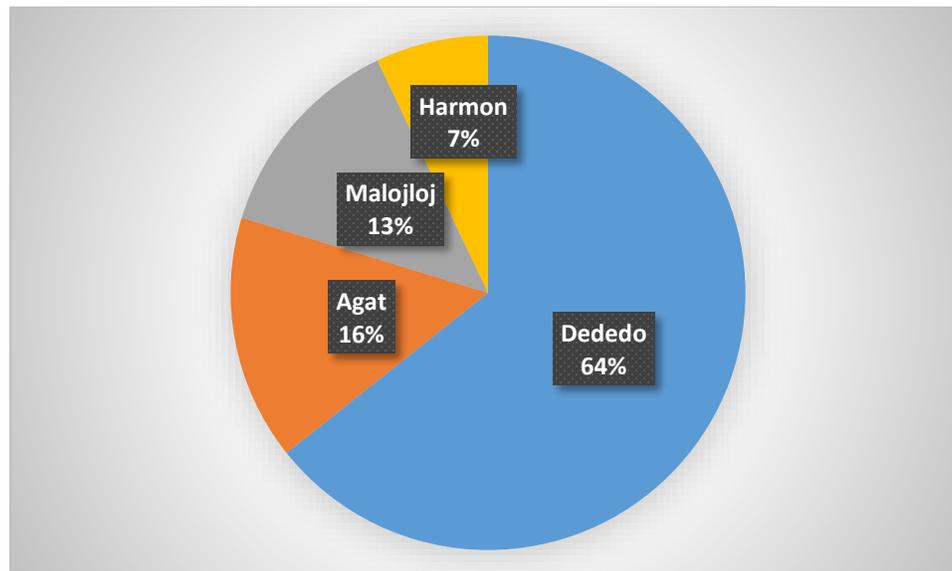
During the reporting period, GSWA opened its new Harmon Residential Transfer Station on January 23, 2015. At the end of this reporting period, GSWA closed the Dededo Transfer Station at the request of the Office of the Governor of Guam. The total number of customers using all four of the residential facilities during this period was 15,384, with 7,362 (or 48 percent) of these using the Dededo Residential Transfer Station as illustrated in Figure 17.

Figure 17 Percentage of Customers by Residential Transfer Stations January – June 2015



Over the six months of the reporting periods these 15,384 customers disposed of 2,532.69 tons of trash at these facilities. A total of 1,628.62 (or 64 percent) of these tons were deposited by customers at the Dededo Residential Transfer Station as illustrated in Figure 18. Agat and Malojloj facilities handled 390.38 and 334.72 tons, respectively, with the new facility, Harmon, accepting 178.97 tons during this reporting period.

Figure 18 Percentage of Trash Tonnage by Residential Transfer Station



Use of the Residential Transfer Stations increased by 1,373 customer visits in this six-month reporting period from January through June of 2015 as compared to the same period in 2014, as shown in Figure 19. Comparing the number of visitors frequenting the Residential Transfer Stations between January and June in 2014 and in 2015, as shown in

Figure 20, reveals Agat had 535 more customer visits in 2015 than during the same months in 2014 and Malojloj had 126 fewer customer visits.

Figure 19 Number of Customers Using Residential Transfer Stations: January – June 2014 and 2015

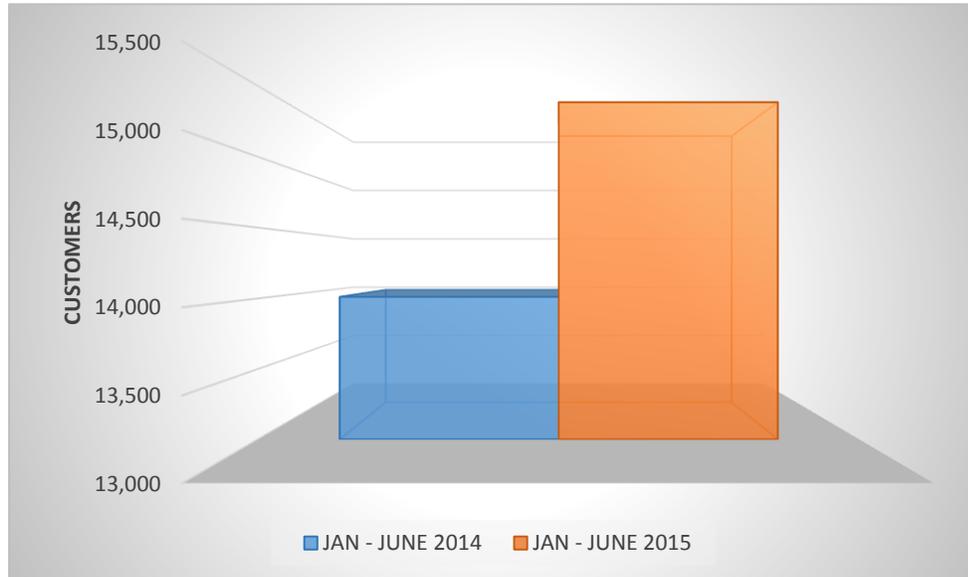
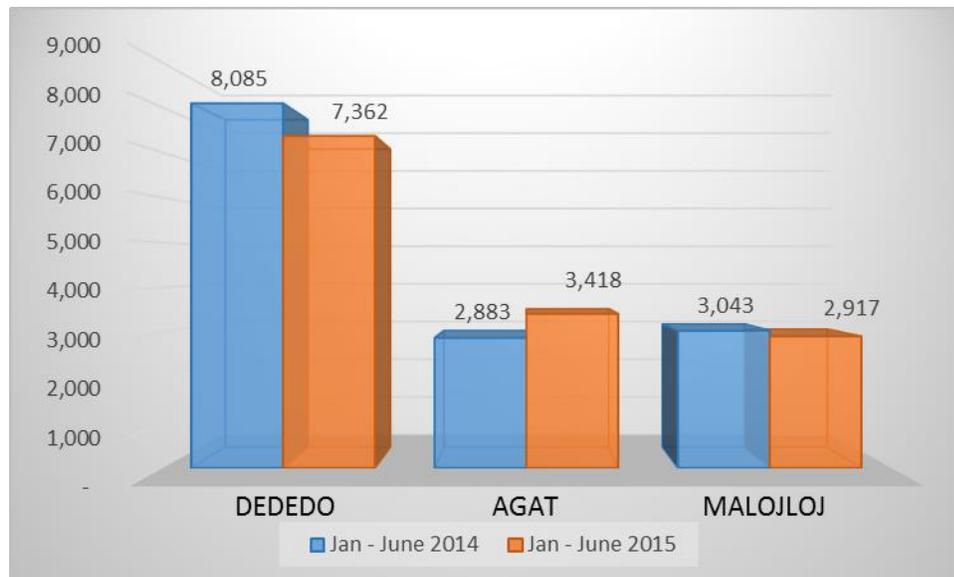


Figure 20 Number of Customer Visits Residential Transfer Station: January – June 2014 and 2015



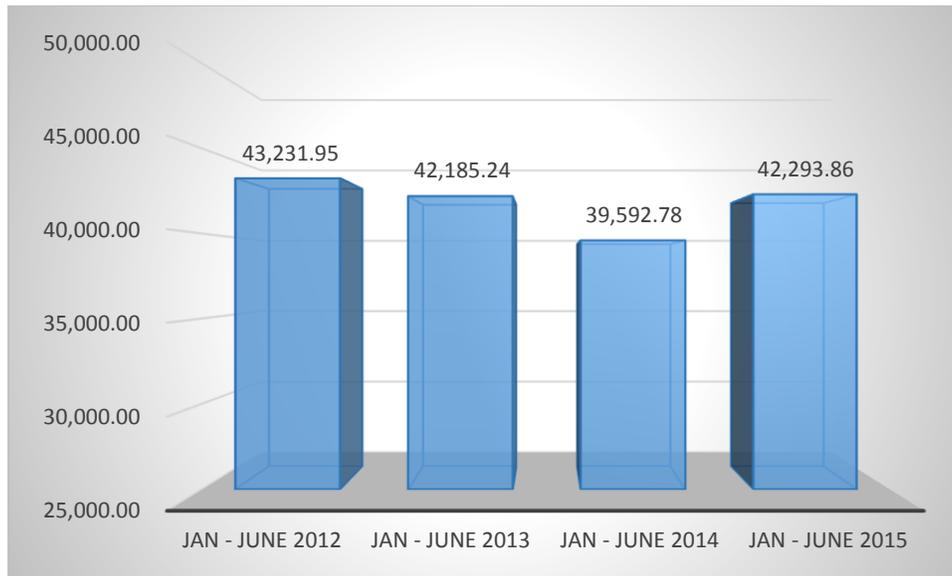
Hauler-only Transfer Station

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.

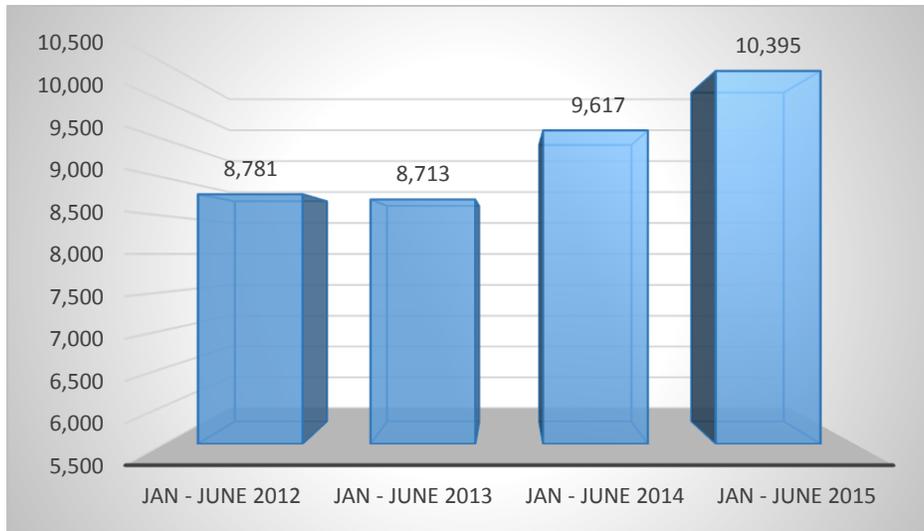
Comparing the first six months of each year the Hauler Only Transfer Station has been in operation, there is a slight decline in the tons of trash in 2013 from 2012 and again in 2014 from 2013. For the period of this report, tons have crept back up; however, it is still less than the amount received in 2012 (938.09 tons less) as illustrated in Figure 21 below.

Figure 21 Hauler-only Transfer Station Tons Received January – June 2012 Through 2015



Over 10,000 customers visited the Haulers' Only Transfer Station during this reporting period, as shown in Figure 22.

Figure 22 Scale Crossings at Hauler-only Transfer Station, January – June 2012 Through 2015

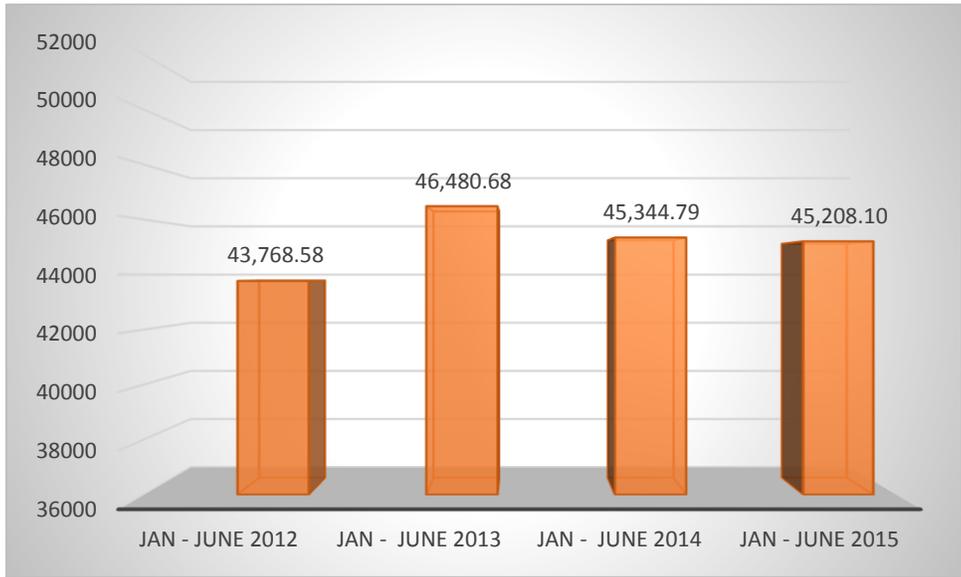


Layon Landfill

The Layon Landfill opened on September 1, 2011. The day-to-day operations are contracted out to Green Group Holdings, LLC, (GGH) while GSWA staff operates the scale house and GSWA manages all accounts. The facility is open from Monday through Saturday every week but closes on Christmas and New Year's Day.

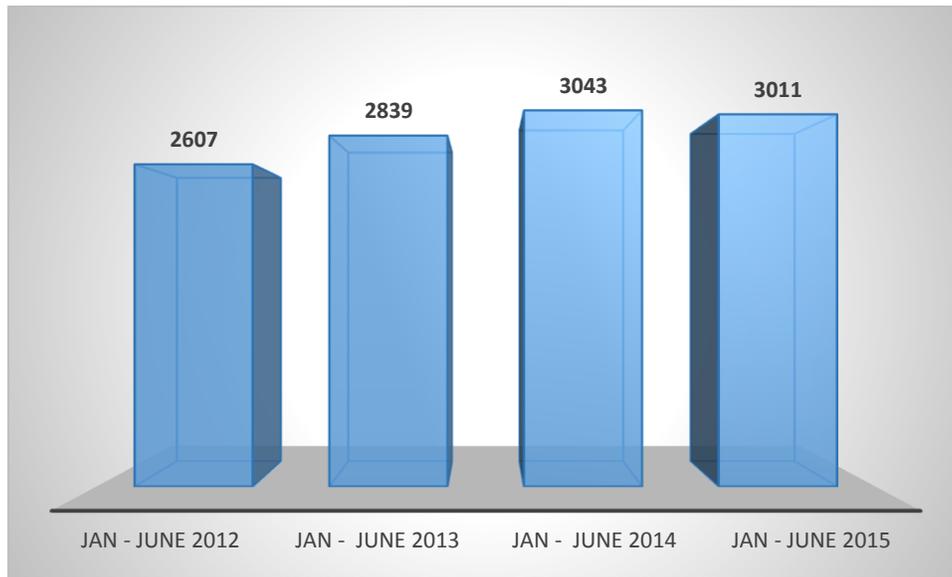
Nearly all of the trash that is delivered to the Haulers' Transfer Station is loaded into tractor trailers and transported down the Layon Landfill. The Layon Landfill accepts direct deliveries from nearby mayors, from other haulers that are collected in the vicinity of the landfill rather than to the Hauler-only Transfer Station. Materials not appropriate for the Hauler-only Transfer Station (i.e biosolids, bulky items, etc) are also delivered directly to the Layon Landfill. From January through June 2015, 45,208.10 tons of trash was delivered to the landfill. This is down slightly from the same period of time in 2014 and 2013 as shown in Figure 23.

Figure 23 Tonnage at Layon Landfill January – June 2012 Through 2015



The Court and the community have always been sensitive to concerns about the additional traffic the host community would incur as a result of the Layon Landfill. Figure 24 shows the truck traffic going to the landfill from January through June of each year the facility has been open. Truck traffic is about the same during the reporting period as it was for the same period last year, while there was a significant increase in the trucks going to the Hauler-only Transfer Station (see Figure 22). The number of vehicles crossing the scale at the Hauler-only Transfer Station for the current reporting period was 10,395 while vehicles crossing the scales at Layon Landfill were 3,011, clearly demonstrating value of Hauler-only Transfer Station for reducing truck traffic.

Figure 24 Number of Scale Crossings at Layon Landfill from January – June 2012 Through 2015.



The Receiver was recently made aware that the Department of Public Works has rescinded the weight waiver DPW provided to the contractor, Guahan Waste Control, who transports the trash from the Haulers Only Transfer Station to the Layon Landfill. The initial waiver was for a total weight of 98,000 pounds and the new weight limit is 86,500 pounds. This new weight limit is expected to go into effect in February 2016. This new weight restriction will impact road traffic on heavy trash days, generally Mondays. There will need to be more tractor-trailers travelling along Route 4 because of the new weight restriction. The Receiver expects there to be approximately four, but possibly more, additional tractor trailer trips on a typical Monday.

While there is no way to eliminate the smells associated with a landfill there are methods for mitigating them. This is particularly true when the landfill is the only location for the disposal of biosolids from wastewater treatment plants that do not employ the best available process to manage their biosolids prior to disposal. GWA is the source of a Guam’s biosolids and their facilities do not currently employ the best available process to manage their biosolids before transporting them to the Layon Landfill for disposal. As a result, odors are a problem both in the transporting of biosolids and after they arrive at the landfill.

The Receiver, working through its contractor, GGH, employs several typical practices for mitigating these odors at the landfill, such as keeping the area where the trash is dumped as small as practical, burying the trash quickly, and covering the waste at the end of the work day. Some landfill managers even purchase odor control misters to be strategically placed so as to dissipate some or all of the odors before they leave the site. GGH has recently purchased such a machine for the Layon Landfill. Figure 25 and Figure 26 show the “New Deodorizer Mister at the Layon Landfill” actually working to mitigate odor.

Figure 25 New Deodorizer Mister at the Layon Landfill



Figure 26 New Deodorizer Mister Nozzle



Household Hazardous Waste

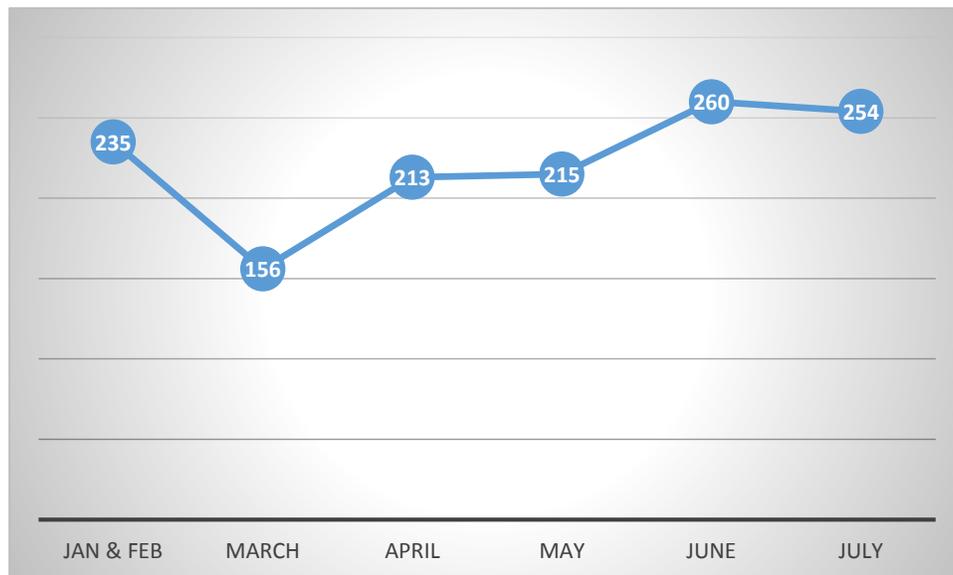
On January 23, 2015, the Court held a ceremonial hearing for the opening of the Harmon Street Residential Transfer Station Household Hazardous Waste Facility (HHWF). The HHWF was part of the 2004 Consent Decree agreed to by the Government of Guam and the United States Department of Justice and the United

States Environmental Protection Agency. This was a significant milestone in the implementation of the Consent Decree.

The HHWF is open five days a week (Thursday through Monday) from 9:00 a.m. to 5:00 p.m. It is free to residents. Businesses and institutions cannot use the HHWF because it is designed for household hazardous waste only and the cost of providing such a “free” service to businesses and other large organizations would be cost prohibitive. The HHWF is operated by the Unlimited Services Group whose representatives greet the customers, remove the acceptable material from the vehicle, separate it into its proper category, and bulk the material for disposal, reuse, or recycling.

From opening day on January 23, 2015 through the end of June, 2015 1,333 customers used the facility. Nearly 53,000 pounds of electronics were collected and recycled along with 15,000 pounds of used motor oil, 1,313 individual fluorescent tubes, and an additional 408 round fluorescent and incandescent bulbs. The contractor shipped 167 barrels of HHW to processing and disposal facilities in Utah and Arizona.

Figure 27 Number of Monthly Customers at HHWF from January – June 2015



Administration

At the time the court appointed the Receiver, the customer service department had no accurate account of its customers, work orders, or its daily activities, and was in a separate building from all of the solid waste operations. The Receiver consolidated these activities into the main GSWA building, procured a work order and billing software, and truncated the department’s many phone numbers into one multi-line number. This has aided both GSWA customers and operations. A customer service representative (CSR) begins work at 5:00 a.m. to work with collection operations in accounting for such items as blocked roads on collection days, or contamination found in the cart. Drivers will notify the CSR, who will immediately place the information into the customer’s account as well as notify the other two CSRs (who arrive at work at 8:00 a.m.) of these types of situations found on the route. After 8:00 a.m., CSRs will attempt to call the customers that morning to let them know of these situations. CSRs also notify agencies

such as Guam Power Authority or any one of the telephone companies if drivers report downed electrical/telephone wires, or the appropriate Mayor's Office if there is a tree limb blocking a secondary road.

GSWA's CSRs assisted 3,928 walk-in customers from January through June 2015. The CSRs meet with walk-in customers to discuss their account histories, sign them up for collection service, map their service locations, and discuss which items can be recycled with GSWA. 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 9,915 letters and made 9,367 calls to customers who were late paying their bills and in jeopardy of having their carts repossessed for lack of payment. During this reporting period, 31,659 calls were received by GSWA representatives. 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. Nine hundred and forty-four (944) carts were repossessed during this reporting period, and 384 of these carts (or 41 percent) were returned to customers after they had paid their balance due plus a \$50 reinstatement fee.

Personnel

On June 30, 2015, GSWA had the equivalent of 58 full time equivalent positions. There were 28 FTE Government of Guam employees and 28 FTE workers employed by the Receiver through a contract with Pacific Human Resources, Inc. (PHRS). In addition, there were two employees under direct contract with the Receiver. When the Receiver was appointed by the Court in March 2008, the Division of Solid Waste had 99 employees.

GSWA Board of Directors

During the reporting period, six official meetings of the GSWA Board of Directors were held.

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. The Receiver provided staffing support for the board meetings and briefed the board on GSWA operational results at each meeting.

Island-wide Curbside Recycling Program

As of June 30, 2014, GSWA had provided recycling carts to all customers serviced by the larger garbage trucks, approximately 90 percent of GSWA's curbside trash customers. Residential customers who live on roads where the large garbage trucks cannot travel because of road conditions, low hanging wires and branches or inability to turn the vehicle around, receive trash collection with what GSWA refers to as Baby

Packer trucks, which are pickups with small containers on their beds. The customers on the Baby Packer trash routes were not provided recycling carts because the Baby Packer trucks cannot efficiently serve these customers for recycling. However, GSWA had decided to purchase two 10-cubic-yard compactor trash trucks that were expected to replace the current Baby Packer trucks. GSWA released a bid for these trucks but before the bids were received a local vendor protested the bid. The Office of Public Accountability (OPA) ruled in favor of the vendor and GSWA has appealed the OPA's ruling to Superior Court where we await the ruling.

Figure 28 shows the recycling tonnage collected in the Island-wide Curbside Recycling Program thus far from January 2014 through June 2015, with a total of 3,041.73 tons of recyclable material collected at the curb. From January through June 2015, GSWA crews collected 1,178.20 tons at the curb which is an increase from the 881.07 tons (a 34 percent increase) collected during the same months in 2014. GSWA collection crews take the recyclable material to Guahan Waste Services, the contractor that processes and sells the material. Revenue for the recyclable material from January through June 2015 totaled \$4,920.71. Revenue for recyclable material has decreased as the international market for many recyclables has decreased. By way of comparison, GSWA received \$7,385.24 for the sale of recyclables from January through June 2014. The post-consumer recycling market has recently seen demand go down for the material in part because of the slowing Chinese economy and partly because of the drop in price of crude oil which makes post-consumer plastic more expensive in comparison.

Figure 28 Recycling Tonnage January 2014 Through June 2015

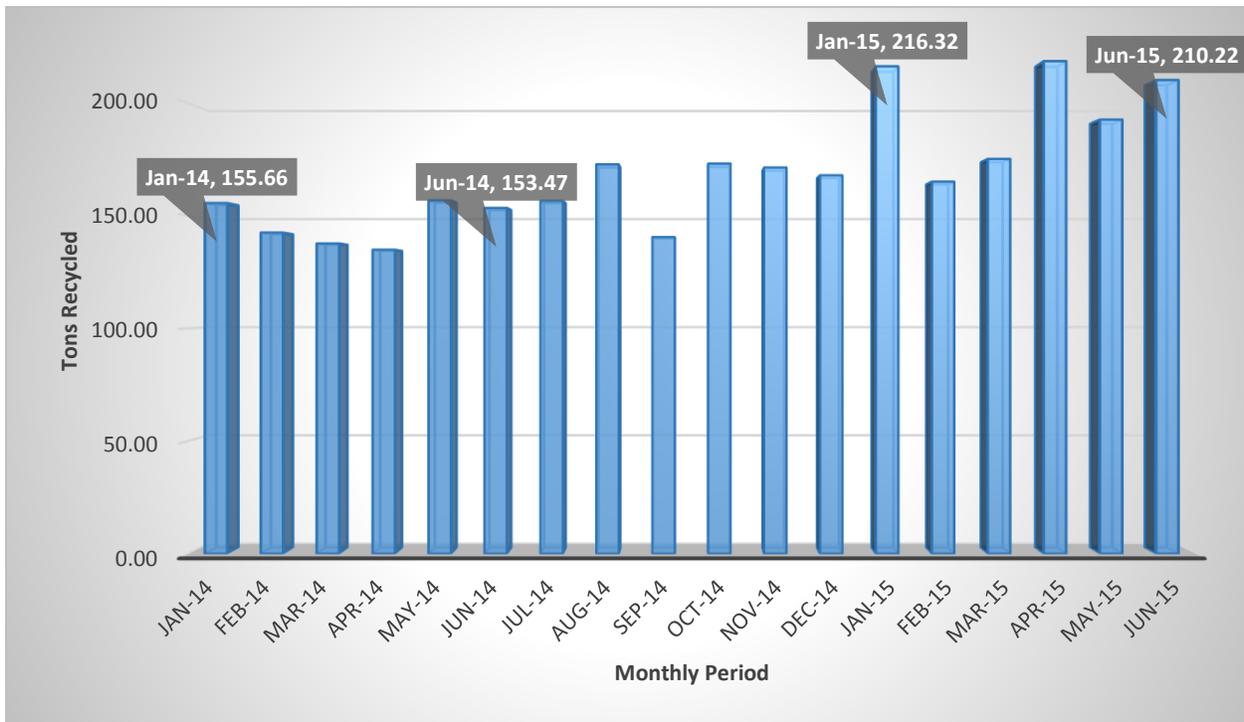
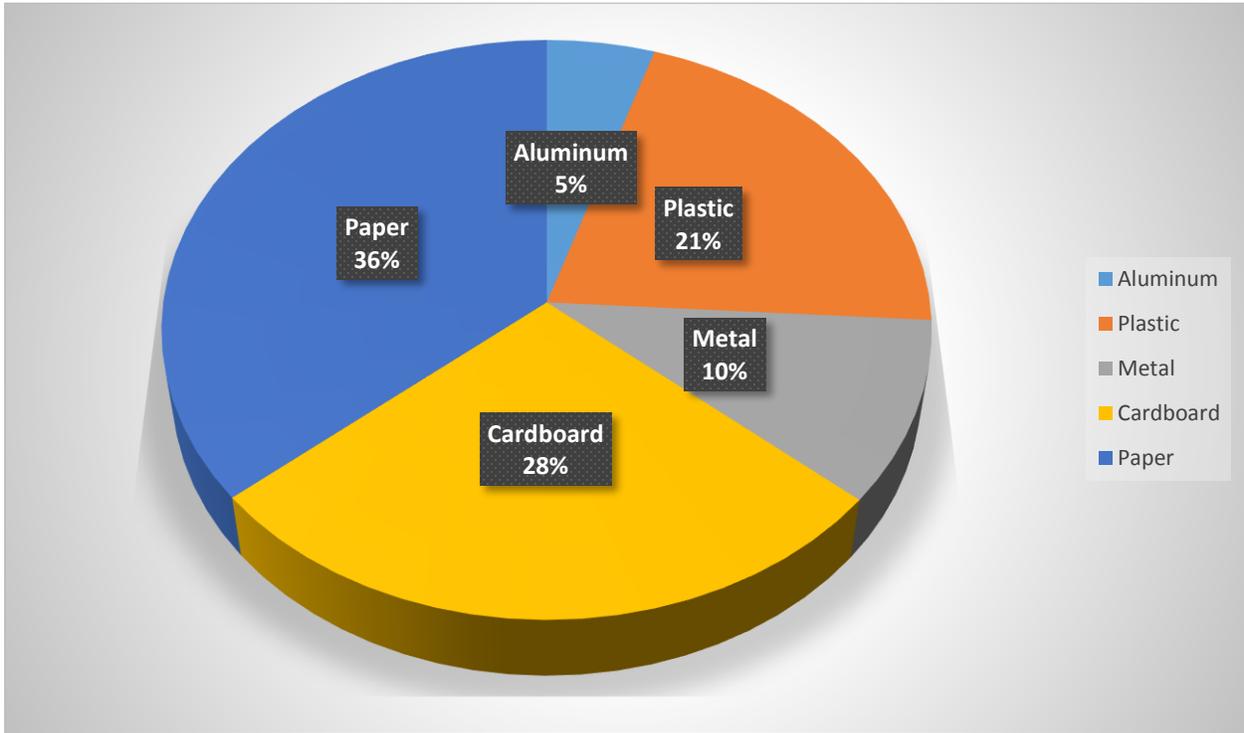
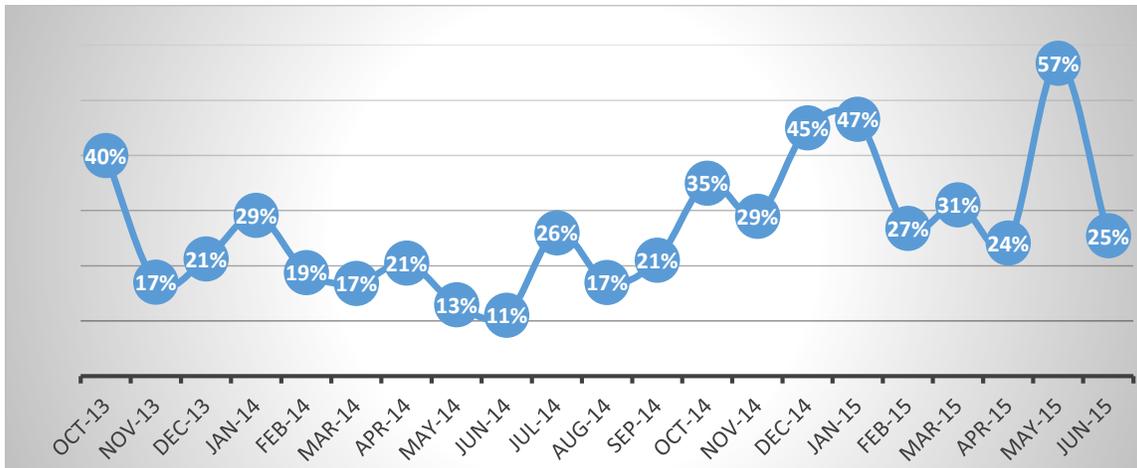


Figure 29 Percentage Breakdown of Recyclables Collected January Through June 2015



Ideally, contamination in the recycled material should be minimal. From October 2013 through December 2014, the average recycling rate for that time span was 24 percent. When the months from January through June 2015 are added, this average increases to 27 percent. During this reporting period from January through June 2015, GSWA crews have given 377 citations to customers for having a cart with too much contamination. If a customer receives three citations, their recycling cart is removed. Thus far we have removed only one recycling cart for contamination. Figure 30 illustrates the contamination rate from October 2013, when GSWA first began delivering recycling carts to GSWA customers, through June 2015.

Figure 30 Contamination Percentage



During the reporting period, residential trash customers who have both trash and recycling services disposed of 9,941.02 tons of trash and 1,178.20 tons of recycling, resulting in about 10.60 percent of residential trash diverted to recycling, as shown in Figure 31.

Figure 31 Residential Curbside Recycling and Trash Tonnage, January Through June 2015



The recycling participation rate is defined as the proportion of households that set out a recycling cart for collection at each collection opportunity. For each month, as illustrated in Figure 32, during this reporting period the average set out percentage ranged from 58 percent to 53 percent. The overall set out average for the six months is a respectable 54 percent. Figure 33 illustrates the participation rates by day for the reporting period.

Figure 32 Average Set Out Rates by Month

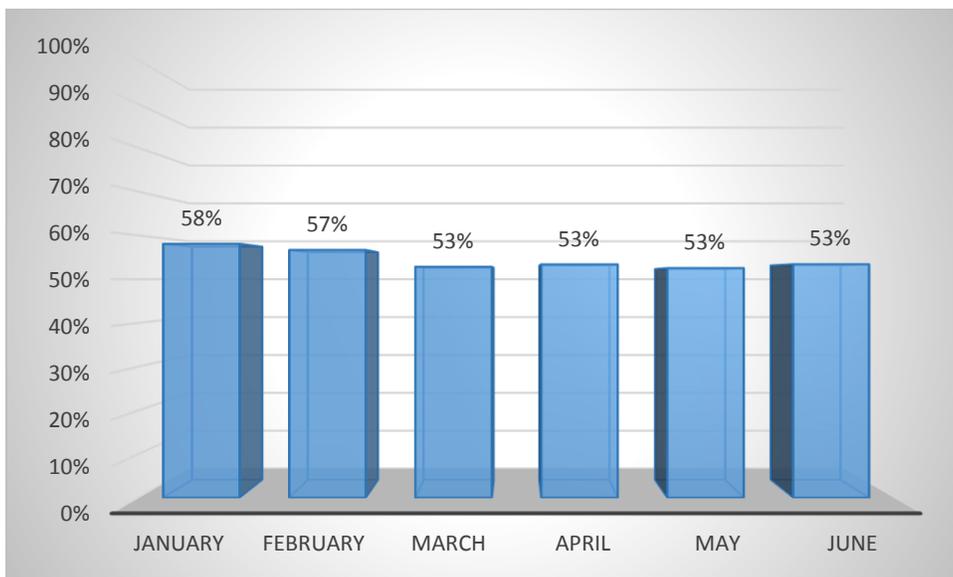
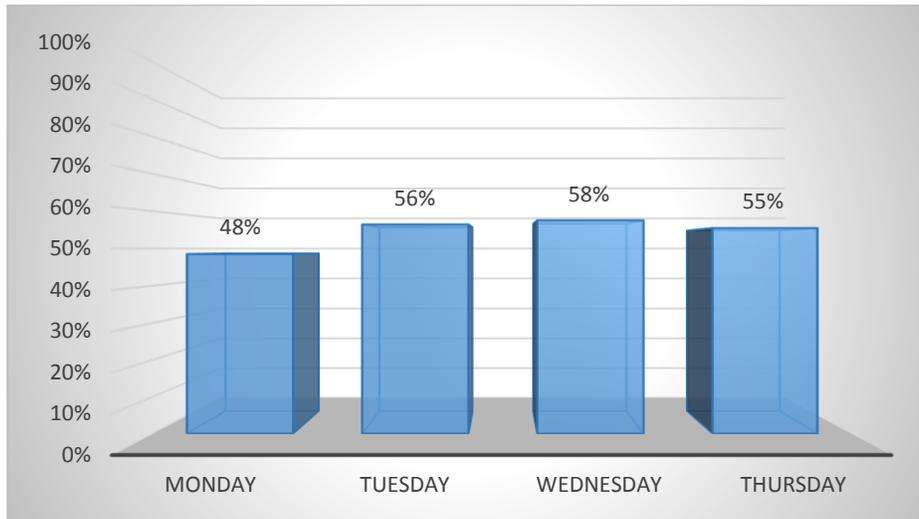


Figure 33 Average Recycling Participation Rates by Collection Day: January Through June 2015



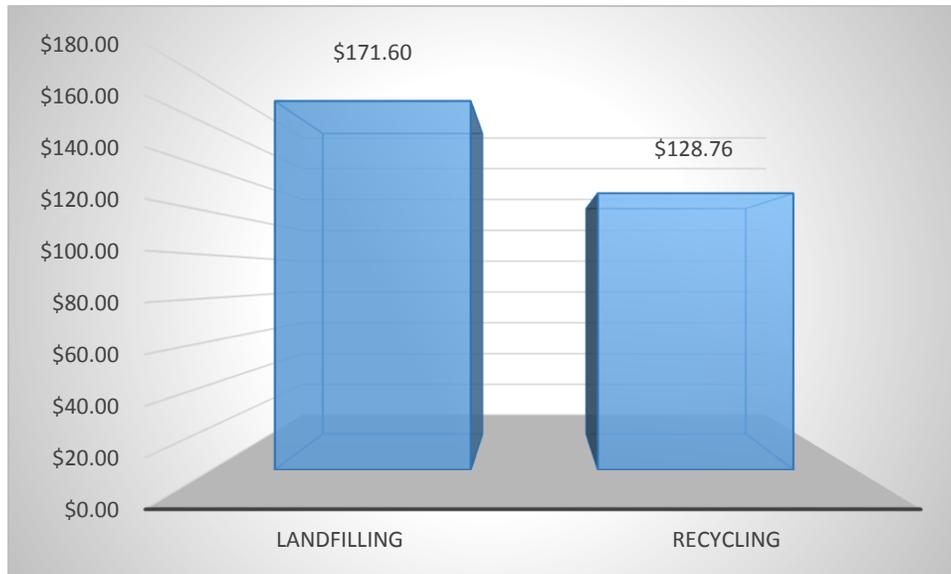
In the Special Report of the Receiver, “Island-wide Curbside Recycling,” dated August 13, 2013, we recommended and the Court subsequently approved implementation of a curbside recycling program. The assumptions and calculations upon which the program is based are fully described in the above referenced Special Report. In the Special Report, we recommended using the current rate charged per ton (\$171.60) for waste disposal at the Layon Landfill as the benchmark cost against which the new program should be compared. Table 1 shows the estimated cost of the Island-wide Recycling Program from January through June 2014.

Table 1 Recycling Costs January Through June 2015

COST FACTOR	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
ANNUAL COST OF CARTS	\$6,290.14	\$6,290.14	\$6,290.14	\$6,290.14	\$6,290.14	\$6,290.14
OVERTIME FOR PERSONNEL	\$4,388.00	\$4,189.32	\$4,665.78	\$6,826.52	\$2,375.37	\$4,897.40
FUEL	\$4,667.43	\$3,684.37	\$4,465.25	\$4,859.74	\$4,244.21	\$4,870.52
MAINTENANCE/TIRES	\$9,459.68	\$5,817.03	\$10,521.46	\$6,408.28	\$8,968.48	\$4,123.92
EDUCATION	\$98.27	\$98.27	\$98.27	\$98.27	\$98.27	\$98.27
5% CONTINGENCY	\$-	\$-	\$-	\$-	\$-	\$-
LESS: LANDFILL FEES	\$(4,971.03)	\$(3,794.23)	\$(3,343.82)	\$(4,076.19)	\$(4,108.13)	\$(4,090.44)
LESS: TRANSFER STATION FEES	\$(6,424.70)	\$(4,903.77)	\$(4,321.65)	\$(5,268.19)	\$(5,309.47)	\$(5,286.60)
LESS: PILOT RECYCLING COSTS	\$(6,500.00)	\$(6,500.00)	\$(6,500.00)	\$(6,500.00)	\$(6,500.00)	\$(6,500.00)
TOTAL COST	\$27,125.54	\$20,236.36	\$25,407.87	\$25,134.90	\$22,684.48	\$20,957.21
REVENUE	\$918.18	\$965.74	\$735.55	\$958.21	\$603.18	\$739.85
NET EXPENSE	\$26,207.36	\$19,270.62	\$24,672.32	\$24,176.69	\$22,081.30	\$20,217.36
TONS	216.32	165.11	145.51	177.38	178.77	178.00
COST PER TON	\$121.15	\$116.71	\$169.56	\$136.30	\$123.52	\$113.58

Taking all six months into consideration, the average cost to recycle a ton of material was \$128.76. Figure 34 compares the cost to landfill with the cost to recycle.

Figure 34 Cost per Ton of Landfilling vs Recycling



4. Contract Management and Procurement (January 2015 – June 2015)

Procurement activity during the quarter ending March 31, 2015, was primarily related to the protest on the Invitation for Bids (IFB) for replacement refuse collection vehicles. In the last report it was noted that the Office of Public Accountability (OPA) upheld the protest of Morrico Equipment, LLC. We also indicated that we disagreed with OPA’s decision but would revise and reissue the procurement to comply with the decision. However, upon further review of the decision and consultation with legal counsel, it was determined that it was in GSWA’s best interests to appeal the OPA’s decision. The appeal is presently pending in the Superior Court of Guam.

Another significant procurement related activity during this reporting period was addressing the issues associated with the liquidated damages assessed against Maeda Pacific Corporation (MPC). MPC has filed a claim with the Office of the Attorney General to essentially overturn the liquidated damages required under the contract. The Office of the Attorney General has delegated resolution of the matter to GSWA, based on GSWA’s status as an autonomous agency. MPC has also filed a protest with the OPA contesting the validity of the liquidated damages provision of the contract. This matter was recently dismissed by OPA for lack of jurisdiction.

The procurement of an operator for the Ordot Dump during the post-closure period is also under development and will be issued in the near future.

The status of the Receiver’s primary contracts, including the amounts spent during the reporting periods is summarized on Tab 3 and Tab 4. Individual payments occurring during the reporting periods for these contracts are included in Tab 5 and Tab 6. 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 7 and Tab 8 provides the Court with a list of approved change orders for the open Consent Decree construction contracts listed in Tab 5 and Tab 6.

5. Financial Issues and Capital Funding (January 2015 – June 2015)

Overview

This section provides the Court with analysis of the operating finances of GSWA during the reporting periods. There are also reports on the status of capital funding for 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 September 12, 2014.

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

- GSWA operating results for the periods January 1, 2015 through March 31, 2015 and April 1, 2015 through June 30, 2015;
- 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;
- Compensation to Former Landowners of Ordot Property;
- Compensation to Former Landowners of Layon Property;
- Reserves of GSWA;
- Bridge and roadway repairs and replacements; and
- Waste disposed at the Layon Landfill.

In the next section we will address the additional projects and the funding for post-closure expenses of the Ordot Dump.

GSWA Operating Results for FY 2015 from January 1, 2015, to March 31, 2015

GSWA's operating results during the reporting period continued to be positive, producing a small surplus of revenue over expenditures. Table 2 provides the Court with a summary of expenditures and revenue for the first six months of the FY 2015 fiscal year, compared with the approved budget. A detailed report of expenditures and revenue compared with the approved FY 2015 budget are provided in Tab 9 of this Report.

Table 2 GSWA Summary of Operating Budget FY 2015

Guam Solid Waste Authority				
Summary of Operating Budget				
FY 2015				
October 1, 2014 to March 31, 2015				
(Unaudited)				
Item	Total Annual Budget	Budget to Date	Actual Spending / Revenue to Date	% over (under) Budget
Personnel Expenses	\$3,000,000	\$1,500,000	\$1,279,590	-14.7%
Other Expenses / Reserves	\$15,365,597	\$7,682,799	\$7,734,921	0.7%
Total Expenses / Reserves	\$18,365,597	\$9,182,799	\$9,014,510	-1.8%
Total Revenue (All Sources)	\$17,845,681	\$8,922,841	\$9,283,418	4.0%
Budgeted From Fund Balance	\$519,916	\$259,958	\$0	-100.0%
Total Funding Available	\$18,365,597	\$9,182,799	\$9,283,418	N/A

During the first half of FY 2015, total expenses were almost 2 percent below the approved budget and revenue exceeded the budget estimate by 4 percent. The original budget projections anticipated spending about \$520,000 in fund balance reserves to balance the budget for the year; however, through March 31, 2015 GSWA actually added \$268,908 to the fund balance.

Cash collections of the amounts billed by GSWA remained strong for the period ending March 31, 2015. Table 3 compares the amounts collected during the period with the amount billed during the same period.

Table 3 GSWA Revenue Billed/Collected

GSWA Revenue Billed / Collected			
October 1, 2014 through March 31, 2015			
Customer Class	Billed	Collected	%
Commercial	\$ 4,950,593	\$ 5,477,153	110.6%
Residential	\$ 3,111,633	\$ 3,192,260	102.6%
Government	\$ 710,753	\$ 960,597	135.2%
Total	\$ 8,772,979	\$ 9,630,010	109.8%

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 more than 10 percent. This is primarily due to the military catching up on its payments. Seasonal fluctuations in amounts of waste disposed also contribute to changes in commercial collections.

Cash collections from residential customers exceeded billing by 2.6 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 102 percent of billed charges during the reporting period.

Cash collections from government accounts were 135.23 percent of billed charges for the period due to the timing of GWA payments. However, when GWA is excluded, the percentage of cash collected drops to about 42 percent. The unpaid balance in the Government accounts continues to grow. This issue is addressed when settling up GSWA accounts with the Government of Guam (GovGuam) general fund 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. Tabs 10 and 11 provide a listing of GovGuam agencies with their outstanding balances for both reporting periods.

GSWA Operating Results for FY 2015 from April 1, 2015, to June 30, 2015

During the reporting period ending June 30, 2015, GSWA continued to produce strong financial results. Table 4 provides the Court with a summary of expenditures and revenue compared with the approved budget for the period October 1, 2014 through June 30, 2015. Detailed reports of expenditures and revenue compared with the approved FY 2015 budget are provided in Tab 12 of this Report.

Expenses during the period were below budget; however the timing with which the Department of Administration (DOA) actually posts expenditures and adjusts for the accrual of FY2015 expenses has much to do with these numbers and we expect the final numbers for FY2015 will be close to the budgeted amounts.

Table 4 GSWA Summary of Operating Budget for the Period Ending June 30, 2015

Guam Solid Waste Authority				
Summary of Operating Budget				
FY 2015				
October 1, 2014 to June 30, 2015				
(Unaudited)				
Item	Total Annual Budget	Budget to Date	Actual Spending / Revenue to Date	% over (under) Budget
Personnel Expenses	\$3,000,000	\$2,250,000	\$2,045,337	-9.1%
Other Expenses / Reserves	\$15,365,597	\$11,524,198	\$11,206,845	-2.8%
Total Expenses / Reserves	\$18,365,597	\$13,774,198	\$13,252,182	-3.8%
Total Revenue (All Sources)	\$17,845,681	\$13,384,261	\$13,398,746	0.1%
Budgeted From Fund Balance	\$519,916	\$389,937	\$0	-100.0%
Total Funding Available	\$18,365,597	\$13,774,198	\$13,398,746	N/A

Cash collections of the amounts billed by GSWA during the reporting period remained strong. Table 5 compares the amounts collected during the period with the amount billed during the quarter ending June 30, 2015.

Table 5 GSWA Revenue Billed/Collected

GSWA Revenue Billed / Collected			
October 1, 2014 through June 30, 2015			
Customer Class	Billed	Collected	%
Commercial	\$ 7,434,989	\$ 7,860,664	105.7%
Residential	\$ 4,686,321	\$ 5,047,637	107.7%
Government	\$ 1,002,912	\$ 1,156,171	115.3%
Total	\$ 13,124,221	\$ 14,064,472	107.2%

Note: Amount collected is on a cash basis. Transfer Stations are included in the residential category. Interest income excluded.

Cash collections from all accounts for FY2015 exceeded billing for these accounts by 7.2 percent. When non-billed revenue (i.e. recycling, residential transfer stations, trash tags, and restoration and reactivation fees) is excluded, cash collections from all accounts YTD exceeded billing for these accounts by 5.2 percent.

Cash collections from most Government of Guam agencies other than GWA continue to lag behind billings with payments coming sporadically. This issue is addressed by including the amounts owed by these GovGuam agencies, as an amount due from the General Fund in the settlement that occurs at the end of each fiscal year.

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.

Based on analysis for the period ended March 31, 2015, the Receiver estimates that GSWA’s fund balance increased approximately \$268,908. Table 6 outlines the elements of the estimate.

Table 6 GSWA Fund Balance

Guam Solid Waste Authority	
31-Mar-15	
(Unaudited)	
Elements of Fund Balance	Amount
Actual Fund Balance @ 9/30/14	\$ 14,942,532
Revenue FY 2015	\$ 9,283,418
Expenses FY 2015	\$ 9,014,510
Excess (Deficit) FY 2015	\$ 268,908
Estimated Fund Balance @ 3/31/15	\$ 15,211,440

Note: Revenue is on accrual basis.

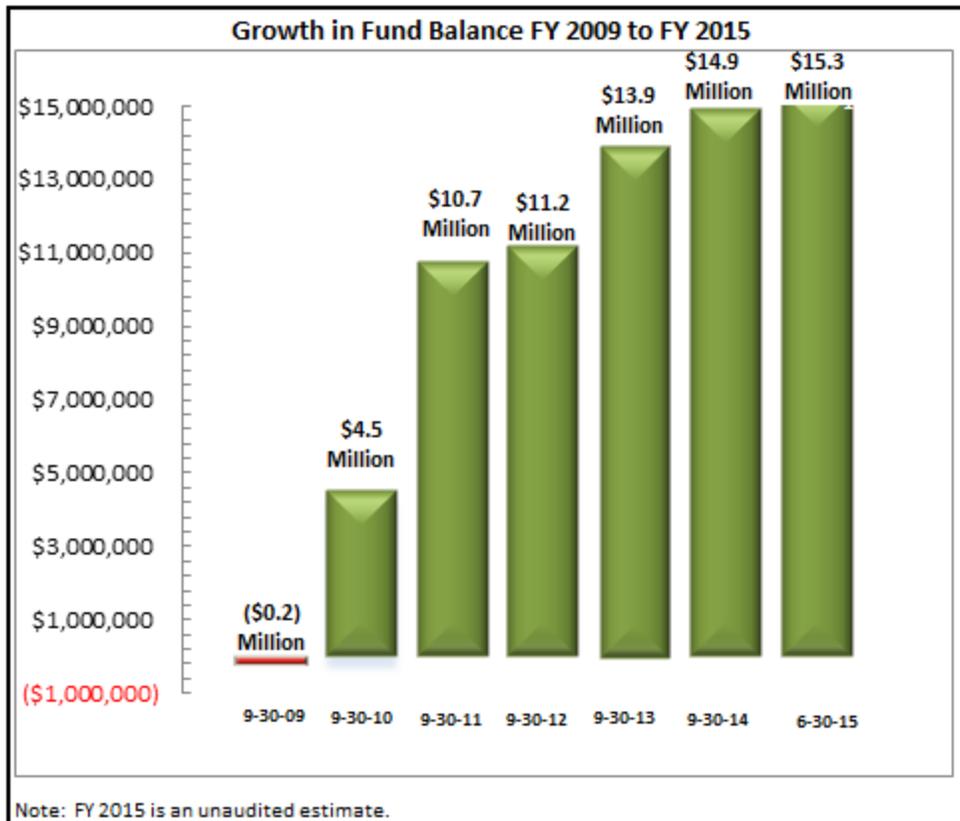
Using the same approach to estimating fund balance, Table 7 outlines the estimate of GSWA’s fund balance for June 30, 2015.

Table 7 GSWA Fund Balance

Guam Solid Waste Authority Fund Balance 30-Jun-15 (Unaudited)	
Elements of Fund Balance	Amount
Estimated Fund Balance @ 3/31/15	\$ 15,211,440
Revenue FY 2015	\$ 13,398,746
Expenses FY 2015	\$ 13,252,182
Excess (Deficit) FY 2015	\$ 146,564
Estimated Fund Balance @ 6/30/15	<u>\$ 15,358,004</u>
Note: Revenue is on accrual basis.	

Figure 35 shows how the fund balance from operations has changed over the time GSWA has been in receivership.

Figure 35 Growth in Fund Balance FY2009 to FY2015



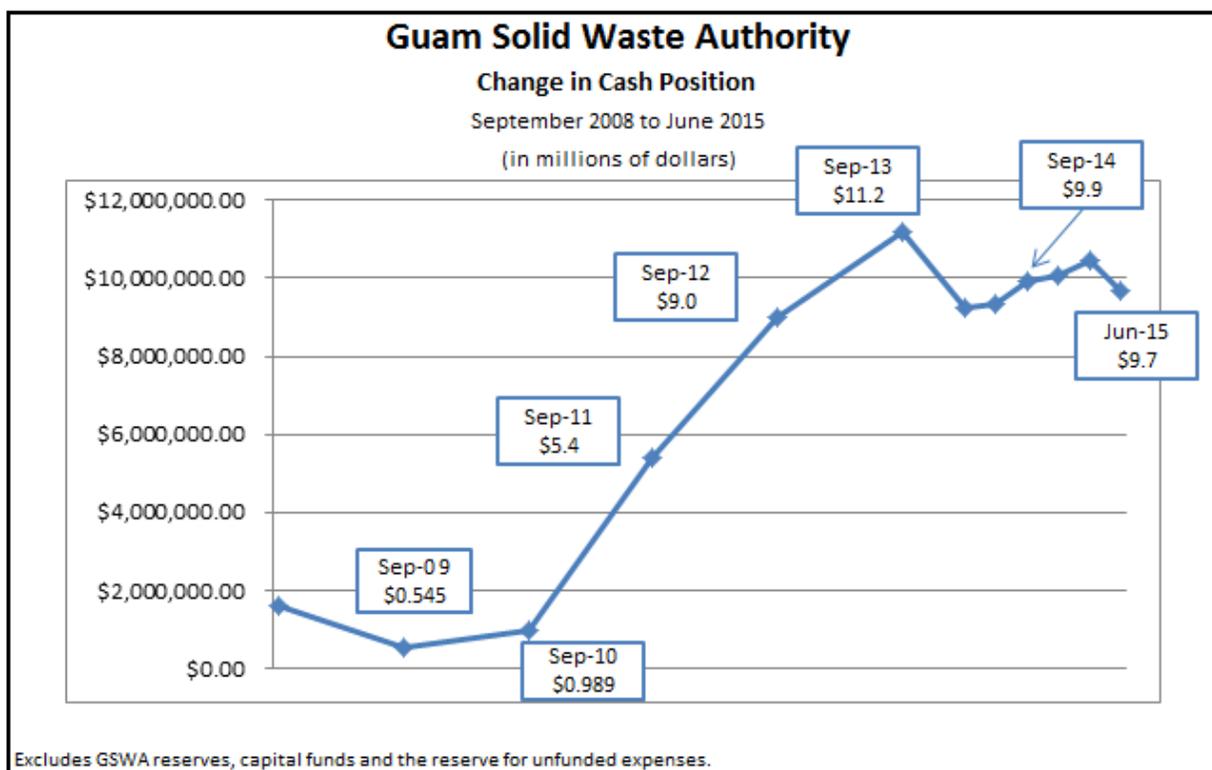
Payments for operating expenses of GSWA are made through the Department of Administration and through the Receiver’s trust account known as the Primary Account. Payments made by the Receiver are

handled pursuant to the Disbursement Procedures approved by the Court. Tab 13 and Tab 15 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 has remained stable during FY 2015, reflecting the strong management by the Receiver of the billing process. Cash increased during the second quarter of FY 2015 but declined to its previous level at \$9.7 million at June 30, 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. Figure 36 outlines GSWA’s cash position at the end of each fiscal year since the Receivership began.

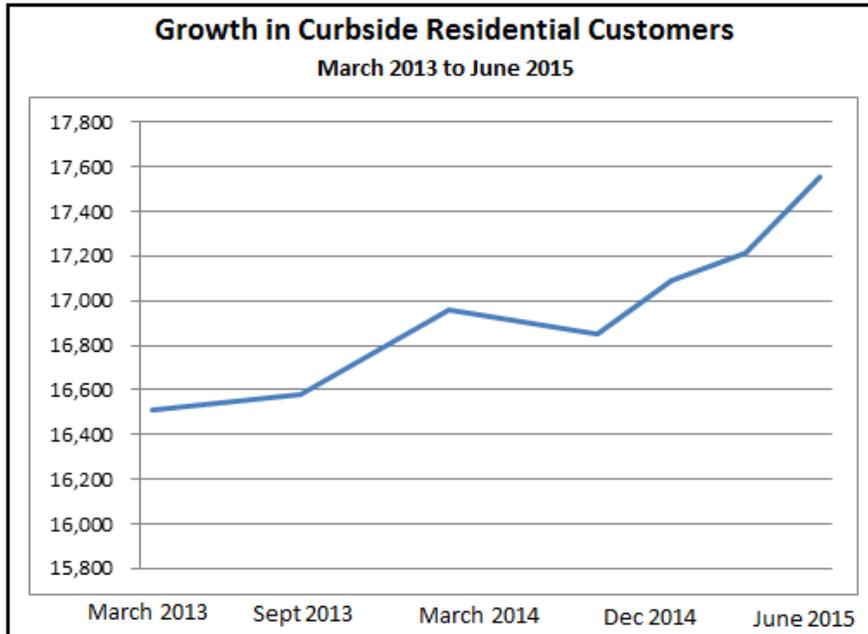
Figure 36 Change in GSWA Cash Position (Million \$)



Status of Residential Customers

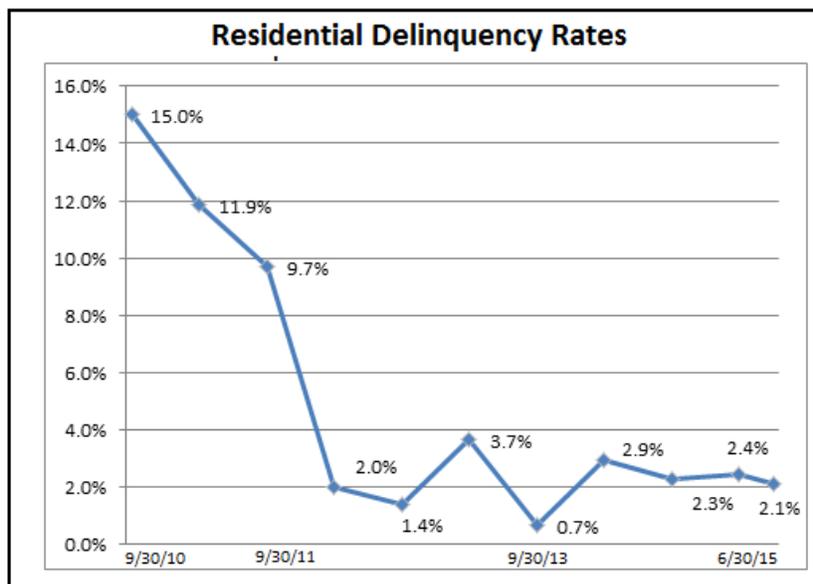
The number of curbside residential customers continued to increase during the reporting periods. On September 30, 2014, the number of residential customers was 16,849. On June 30, 2015, the number of residential customers was 17,558, an increase of 4.2 percent during the reporting period. Since March 2013, GSWA has added 1,047 curbside residential customers. Figure 37 illustrates the very stable base of GSWA residential customers with its recent growth trend over the previous four years.

Figure 37 GSWA Residential Customers



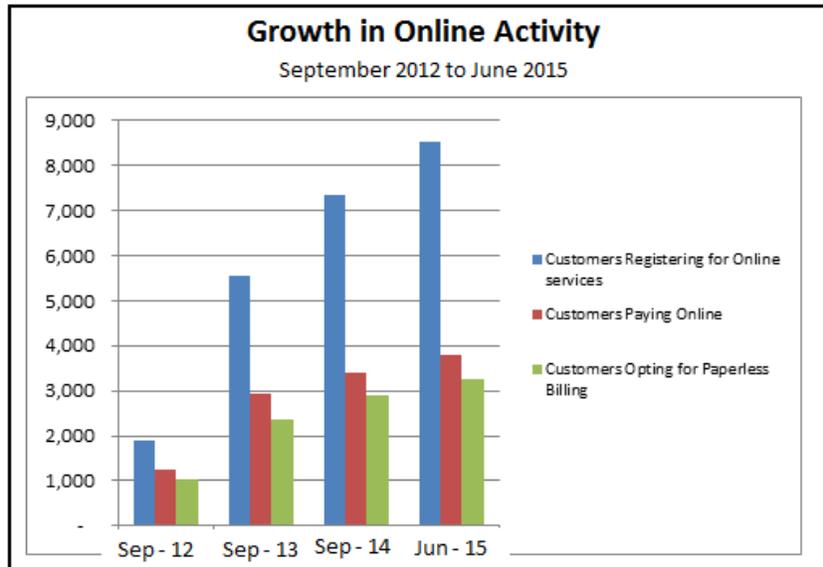
The residential delinquency rates remained low at the end of the reporting periods. Figure 38 shows the trend in residential delinquency rates from September 2010 to June 2015. These low delinquency rates clearly demonstrate that GSWA customers respond favorably to sound management and quality service. 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 while 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 residential delinquency rates closely and keep the Court informed.

Figure 38 Residential Delinquency Rates



Online payments and account management by residential customers continued to grow during FY 2015. The number of customers registering for online services increased to 8,514, an increase of 15.7 percent during the reporting period. Customers paying their bills online grew to 3,787 by June 30, 2015, with 3,272 customers now enrolled for paperless billing. Figure 39 outlines the growth in online activity since GSWA initiated the current system in 2012.

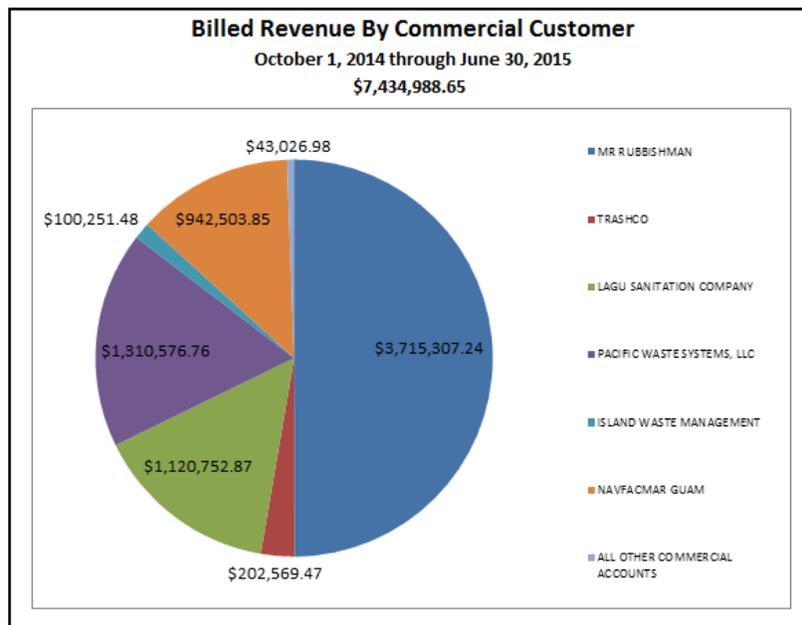
Figure 39 Growth in Online Activity



Status of Large Commercial Accounts

Large commercial haulers are the source of more than 60 percent of the system’s revenue. Figure 40 illustrates the amounts billed to each major commercial customer during FY 2015.

Figure 40 Revenue Billed by Commercial Customer



The Naval Facilities Engineering Command (NAVFAC) is included as a commercial customer because it is managed by a private company and is otherwise very similar to other GSWA commercial customers.

All of the major commercial accounts were in good standing during the reporting period with the exception of Lagu Sanitation. Lagu continues to pay off its debt to GSWA and will not be in compliance with GSWA policy until the debt is fully paid.

Status of GWA and Government Accounts

GWA remains in good standing, but most other direct government accounts are in arrears. 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 are addressed in the annual settlement process between the General Fund and GSWA as we described earlier in this Report.

Status of the Construction Subaccount

Payments from the Construction Subaccount were \$8,456,727.19 during the period January 1, 2015, through March 31, 2015. Interest earnings were added to the account in the amount of \$4,564.41. Tab 14 provides a detailed listing of all transactions affecting the account during the period January 1, 2015 through March 31, 2015.

Payments from the Construction Subaccount were \$6,543,472.83 during the period April 1, 2015 through June 30, 2015. Interest earnings were added to the account in the amount of \$3,857.23. In addition, funds were transferred into the account from the Government of Guam’s Construction account for the 2009 bonds in the amount of \$11,988,464.87. It should be noted that this transfer completes the transfer of all construction funds from the 2009 Section 30 Bonds to the Receiver for funding Consent Decree projects. Tab 16 provides a detailed listing of all transactions affecting the account during the period April 1, 2015 through June 30, 2015.

Table 8 provides the Court with an accounting of the retainage being held for contractors paid from the Construction Subaccount.

Table 8 Retainage on Trustee Account Payments

Retainage on Trustee Account Payments		
<i>As of 6/30/2015</i>		
Company	Description	Amount
Brown and Caldwell	Retainage	\$ 13,626.14
Black Construction Corporation	Retainage	\$ 2,043,000.67
AECOM	Retainage	\$ 9,798.50
EA Science and Technology	Retainage	\$ 11,346.61
GHD (formerly Winzler & Kelly)	Retainage	\$ 122,371.88
Total Retainage Held.....		\$ 2,200,143.80

When the retainage obligations are considered, on June 30, 2015, the Construction Subaccount had a balance of \$14,084,051.59 available for future Consent Decree obligations.

Host Community Premium Surcharge Fees

During the reporting period, January 1, 2015, through March 31, 2015, GSWA assessed Host Community Premium Surcharge (HCPS) fees totaling \$78,039.84, bringing the total assessed HCPS fees during FY2015 to \$162,860.84. Due to the lag time allowed by Guam Law between billing and payment, HCPS fees collected during the period were \$54,268.83. 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 17.

During the quarter ended June 30, 2015, GSWA assessed Host Community Premium Surcharge (HCPS) fees totaling \$81,087.10. FY2015 HCPS fees collected during the period were \$63,385.65, bringing the total fees collect during FY2015 to \$243,947.94. 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 18.

Capital Funding

Table 9 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 June 30, 2015. This table is also provided as Tab 19 in a format with larger type.

Table 9 Allocation of Capital Available to the Receiver

Allocation of Capital Available to the Receiver					
Original Consent Decree Projects					
As of June 30, 2015					
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	\$ 41,750,442.74	\$ 249,557.26
Landfill Access Road and Sewer System	\$ 23,981,400.00	\$ 28,360,499	\$ (4,379,099.00)	\$ 28,444,613.60	\$ (84,114.60)
Construction Management - Layon and Associated Projects ¹	\$ 7,316,400.00	\$ 10,560,000	\$ (3,243,600.00)	\$ 9,611,633.72	\$ 948,366.28
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	\$ 2,015,900.75	\$ 394,099.25
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	\$ 4,450,067.32	\$ 49,932.68
Environmental Investigation and Ordot Dump Closure Design	\$ 6,800,000.00	\$ 8,329,055	\$ (1,529,055.00)	\$ 8,091,136.05	\$ 237,918.95
Ordot Dump Closure	\$ 30,590,300.00	\$ 40,859,913	\$ (10,269,613.44)	\$ 32,625,576.86	\$ 8,234,336.58
Ordot Dump Closure - Land Acquisition	\$ -	\$ 1,700,000	\$ (1,700,000.00)	\$ 1,533,677.50	\$ 166,322.50
Construction Management - Ordot Dump and Subsequent Projects ³	\$ 2,721,800.00	\$ 7,499,799	\$ (4,777,999.00)	\$ 8,227,136.42	\$ (727,337.42)
Ordot Contingency ⁴	\$ -	\$ 6,487,987	\$ (6,487,986.56)	\$ -	\$ 6,487,986.56
Litigation Assistance	\$ -	\$ 249,525	\$ (249,524.94)	\$ 283,249.61	\$ (33,724.67)
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)	\$ -	\$ 552,070	\$ (552,069.60)	\$ 552,069.60	\$ -
Total	\$ 159,742,200.00	\$ 158,917,663	\$ 824,537.26	\$ 137,515,314.77	\$ 20,850,278.37

¹Includes the access road and utilities, the new residential transfer station and the HHW facility, the emergency repairs at the residential transfer stations and the GSWA Building repairs and the design and environmental assessment of the residential transfer stations.

²Landfill 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.

³Subsequent projects will require additional capital funding addressed elsewhere in this report.

⁴Ordot 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 20 for the allocation of the contingency as of 6/30/2015.

Other than the expenses already incurred for these projects, we have excluded the “additional projects” since they are addressed separately in this Report. 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 will also be considered and addressed later in this Report even though these projects are likely to be constructed post-receivership.

Compensation to Former Landowners of Ordot Property

The property acquisitions are complete, however, with respect to Lot 3434 there remains a question of the size of the lot. To address this matter, the Receiver has commissioned a survey of the property which will be filed with the local court and the proper land officials on Guam. This information will hopefully allow for the resolution of the size of the lot and become the basis of final settlement negotiations with the former owners of the property.

With respect to Lot 450, on July 13, 2015, Vanessa Williams, in her capacity as a Special Assistant Attorney General and Counsel to GSWA filed the appropriate Complaint and accompanying documents to complete the condemnation of Lot 450. The appraised value of the property is \$308,000 and this amount was deposited with the Clerk of the Court who will hold the money in trust pending its disposition by the Court. The proper documents to reflect the transfer of ownership of the property to the Government of Guam are also being filed with the Department of Land Management and its former owners have been properly notified. 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 compensation paid to the former owners of the land upon which the Layon Landfill is located is important information to consider when evaluating the Government of Guam's compliance with the Consent Decree. The Government of Guam has chosen to compensate these former landowners through tax credits. In our report dated March 5, 2015, we provided the Court with the best information available to the Receiver on the compensation paid and the amounts still owed to the former landowners as of September 30, 2014. The Governor's Office continues to maintain that it cannot disclose information about specific compensation paid to each former landowner in the form of tax credits under Guam Law. We disagree with their position on disclosure of this information.

The Government of Guam has, however, provided the Receiver with information on total compensation provided to the former owners. From this information we can reasonably estimate the amounts paid to each former landowner. In our report dated March 5, 2015, we provided the Court with this information as of September 30, 2014. We have requested information to update this compensation provided and received a more limited amount of information than was initially provided, with assurances from the Legal Counsel to the Governor that more complete information will be provided when it becomes available.

The information provided by the Governor's Legal Counsel indicates that the total liability of the Government of Guam to the former landowners has increased by "about \$500,000" since September 30, 2014. We assume, based on representations made by the Governor's Office earlier this year that this is the result of interest that has continued to accrue on the balance owed until the former landowners actually used the tax credits available to them. We were also provided information indicating that the former owner of the largest share of the land had refused tax credits as a method of payment. However,

given the amount of tax credits claimed since September 30, 2014, it appears that this former owner is now accepting the tax credits. We do not have any information at this point on the specific dates these tax credits were actually claimed by the former landowners.

Using the information provided by the Governor’s Legal Counsel and assuming that the total liability has increased \$500,000 from the total liability of \$30,280,247 reported for September 30, 2014, Table 10 provides an update of the total amount of tax credits actually redeemed by the former owners as of August 20, 2015.

Table 10 Tax Credits Paid

As of August 20, 2015	
Original GovGuam Appraised Value	\$3,390,000
Additional Compensation per Judgment (CV0084-08)	\$21,705,683
6% Interest from 01/24/2008	\$9,074,564
Total Liability	\$34,170,247
Tax credits paid	\$ (24,447,867)
Cash paid from Federal Compact/Impact Funds	(\$3,401,877)
Balance of Unpaid Judgment	\$6,320,503
<small>Minor differences between this table and the table allocating payments to specific former owners is due to rounding.</small>	

Given the total value of additional tax credits that have been claimed as reported by the Governor’s Legal Counsel, it is apparent that the former owners of the largest share of the judgement are accepting tax credits as payment for the judgment. Table 11 provides the Court with an update of the range of likely payments to former landowners.

Table 11 Range of Likely Payments to Former Landowners

Compensation Paid to former Layon Landowners						
As of 8/20/2015						
Former Owner	Total Liability*	Allocation of Initial Payment	Range of Potential Distribution of Payments			
			Scenario A		Scenario B	
			Total Credits Redeemed	Estimated Compensation Paid to Date	Total Credits Redeemed	Estimated Compensation Paid to Date
Oxford Properties & Finance, Ltd.	\$ 17,182,984	\$ 1,700,938	\$ 10,707,103	\$ 12,408,041	\$ 13,477,004	\$ 15,177,942
Calvo's Insurance Underwriters, Inc.	\$ 8,440,197	\$ 850,469	\$ 7,589,728	\$ 8,440,197	\$ 4,917,063	\$ 5,767,532
Valencia Investments Corporation	\$ 2,749,277	\$ 272,150	\$ 2,477,127	\$ 2,749,277	\$ 2,438,077	\$ 2,710,228
Jones and Guerrero Company, Inc	\$ 2,749,277	\$ 272,150	\$ 2,477,127	\$ 2,749,277	\$ 2,438,077	\$ 2,710,228
Alfred and Diana Ysrael	\$ 1,715,266	\$ 170,094	\$ -	\$ 170,094	\$ -	\$ 170,094
Lee and Joan Holmes	\$ 499,326	\$ 51,028	\$ 448,298	\$ 499,326	\$ 440,976	\$ 492,004
Douglas F. Cushnie	\$ 413,171	\$ 42,285	\$ 370,885	\$ 413,171	\$ 364,935	\$ 407,220
Joaquin C. Arriola	\$ 276,702	\$ 28,321	\$ 248,381	\$ 276,702	\$ 244,415	\$ 272,736
Young Chull Kim	\$ 143,658	\$ 14,441	\$ 129,217	\$ 143,658	\$ 127,320	\$ 141,761
Totals	\$ 34,169,858	\$ 3,401,877	\$ 24,447,867	\$ 27,849,744	\$ 24,447,867	\$ 27,849,744

*Initial Payment based on appraised value plus the judgement of the Superior Court of Guam plus interest @ 6%.

Scenario A in Table 11 assumes that all former landowners other than Oxford Properties & Finance LTD., and Alfred and Diana Ysrael were paid in full, with the balance of the \$13,477,003.63 in tax credits claimed since October 1, 2014, being claimed by Oxford Properties & Finance Ltd. Scenario B assumes that all of the tax credits claimed since September 30, 2014, were applied to Oxford Properties & Finance Ltd's unpaid balance and that none went to the other former landowners. In any event, most of the judgment appears to have been paid as of August 20, 2015. As more information becomes available, we will provide further updates to the Court.

Reserves of the GSWA

Table 12 outlines the status of the reserves of GSWA on June 30, 2015. These reserves are for the purpose of setting funds aside to pay for the future needs of the system.

Table 12 Reserves of the Guam Solid Waste Authority

Reserves of the Guam Solid Waste Authority	
As of 6/30/2015	
Reserves	Total
Equipment Replacement Reserve	\$ 2,391,161.73
New Cell Development Reserve	\$ 180,425.72
Cell Closure Reserve	\$ 180,407.23
Post-Closure Care Reserve Layon Landfill	\$ 360,851.16
Post-Closure Care Reserve Ordot Dump	\$ -
Total Reserves.....	\$ 3,112,845.84

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 is addressed elsewhere in this report.

FY2016 GSWA Operating Budget

Tab 21 is the operating budget for FY2016 for the Court’s consideration. It is basically a status quo budget simply carrying forward the programs and anticipated costs of GSWA’s current program.

GSWA’s Audit for FY2014

The Receiver continued its support of GSWA during the audit process concluded for FY2014. The audit was conducted by Deloitte & Touche, LLC. The audit confirms the sound financial condition of GSWA and finds no misuse of GSWA funds. The only findings directed at the Receiver involve the use of the authority granted the Receiver by the District Court and simply demonstrate the unusual situation with which auditors must address when a governmental entity like GSWA is in receivership. There are several audit findings directed at DOA related to needed improvements in accounting procedures. The full audit report is submitted as Tab 22.

Bridge and Roadway Repairs and Replacements

Given the Court’s Order of June 29, 2015, the work of the Receiver monitoring bridge and roadway projects is at an end. Table 13 shows the current status of the projects the Receiver has been following, excluding the As-Alonso Repairs and the Route 4 Safety enhancement.

Table 13 Status of Consent Decree Bridge and Roadway Projects

Status of Consent Decree Bridge and Roadway Projects	
Project	Current Status of Project
Ylig Bridge Replacement	Project Complete*
Togcha Bridge Rehabilitation	Project Complete
Talofofa Bridge Rehabilitation	Project Complete
Route 4 Pago Bay to Route 17	Project Complete
Route 4 Togcha River to Ipan Beach	Project Complete
*The most recent reports from DPW indicate that they are still addressing certain issues on this project, however, for solid waste purposes the project is complete.	

Given the status of the projects shown in Table 13 and the Court’s recent Order with regard to Route 4, we will no longer include this information in future reports of the Receiver unless otherwise directed by the Court.

Waste Disposed at the Layon Landfill

The waste disposed at the Layon Landfill increased about 3.1 percent during the first nine months of FY2015. Table 14 shows total waste disposed by customer type during the period October 1, 2014, through June 30, 2015, compared to the same period one year earlier.

Table 14 Total Waste (Tons) Disposed by GSWA

Change in Waste (Tons) Disposed by GSWA			
By Customer Group			
Comparing October to June FY2014 with FY2015			
Customer	FY 2014	FY 2015	% Change
Residential	13,760	14,912	8.4%
Commercial	38,956	40,111	3.0%
Military	5,549	5,875	5.9%
Government	6,529	5,717	-12.4%
Mayors	1,064	1,307	22.8%
Transfer Stations	3,551	3,616	1.8%
Other	73	94	28.7%
Total	69,482	71,631	3.1%

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

There were wide variations in the growth by category. The only category declining was Government waste and this was attributable almost exclusively to GWA. For reasons that we understand are related to GWA internal operational issues, the amount of biosolids being disposed by GWA declined significantly from February through June. Since June, the levels of disposal have returned to the higher levels experienced before the slow-down.

6. Financial Plan for Additional Projects and Ordot Post-Closure Care

In several orders issued relative to completing the work of the Receivership, the Court has directed the Receiver to submit a revised transition timeline that will allow the Receiver to complete the additional projects and provide a funding plan for post-closure care of the Ordot Dump.¹ Since the funds needed to complete the work of the Receivership must come from the operations of GSWA itself, the Court has recognized the need to extend the Receivership timeline for transition from the Receiver to the GSWA Board to assure successful completion of these projects and the long-term care of the Ordot Dump. Extending the Receivership also reduces GSWA operating cost² and makes more funds available.

Table 15 summarizes the remaining projects and the current estimate of the anticipated costs of completing this work. We should emphasize that this is an estimate, not a budget. We cannot know what the cost is until the bidding process is complete and a contract has been awarded. We will keep the Court informed as the bids are received and contracts are awarded.

¹ “Residential Transfer Stations,” April 20, 2015; “Dero Road,” May 1, 2015; “Post-closure Care of the Ordot Dump,” May 27, 2015; and, “Rt. 4 Safety Enhancements,” June 29, 2015.

² See “Quarterly Report of the Receiver,” June 25, 2014, pages 40 – 43.

Table 15 Additional Projects and Estimated Cost to Complete as of September 2015³

Additional Projects	
Project	Estimated Cost
Dero Road Upgrades	\$ 2,300,000
Dero Road Redesign	\$ 100,000
Route 4 Safety Enhancements	\$ 10,000
Dededo Closure Plan Development	\$ 25,000
Dededo Environmental Closure	\$ 250,000
Cleanup of Agat & Malojloj	\$ 457,900
Residential Transfer Station Upgrades	\$ 4,300,000
Construction Management	\$ 1,000,000
General Contingency	\$ 1,000,000
Total Projects	\$ 9,442,900

In addition to the projects the Court also directed the Receiver to develop a plan for funding the post-closure cost of the Ordot Dump. Specifically, in its Order dated May 27, 2015, the Court directs the Receiver as follows:

“The court has already approved the Receiver’s proposal to fund the post-closure care costs on an ongoing basis from the debt service reimbursements accumulating in the special account. However, if these funds are insufficient to meet the post-closure care funding obligations before the end of the Receivership, then the Receiver shall develop a financing plan that includes a dedicated funding mechanism to secure monies necessary to fully implement all post-closure care and monitoring actions.”

While the Receiver awaits final approval from the U.S. Environmental Protection Agency (U.S. EPA) and Guam Environmental Protection Agency (GEPA) on the post-closure plan, we are confident the plan submitted complies with all of the Federal and local laws and rules. The estimated net present value (NPV) of the total 30-year cost is \$15,670,893.97⁴.

While the additional projects and Ordot Post-Closure Care are the primary focus of the project, the Receiver must consider the other capital needs of Guam Solid Waste Authority (GSWA). Equipment needs, including heavy equipment, trucks, bins, and more, should be adequately addressed through the Equipment Replacement Reserve, funded by the Receiver on a monthly basis since October 2011. Post-closure care for the Layon Landfill is also being funded through a similar reserve. Additional funds will be required to open a new cell(s) and properly close existing cells of the Layon Landfill. These projects may

³ The Route 4 Safety enhancements are included only for the amount of expense that was incurred but not paid prior to the Court’s Order dated June 29, 2015. While there are issues with the work that must be resolved before any payment is made, the Receiver is seeking clarification of the Court’s intent concerning payment for work authorized and performed prior to the Order.

⁴ This cost will need to increase to provide for the compensation of the trustee and the independent engineer.

occur after the Receivership ends, but they must be completed and they must be fully funded; therefore, a responsible financial plan must include funding them. Design of the next cell(s) should occur prior to immediate need, to ensure that the cells are ready when needed. Table 16 outlines the estimate of all of the capital costs that must be addressed to comply with the Consent Decree, the Orders of the District Court and GSWA's operating budget.

Table 16 Future Capital and Ordot Post-Closure Funding Requirements

Future Capital and Ordot Post Closure Funding Requirements	
Funding Required	Total
Additional Projects	\$ 9,442,900.00
Post-closure cost for Ordot Dump	\$ 15,670,893.97
Construction of new cell at Layon	\$ 10,590,642.09
Closure cost for cells 1 & 2	\$ 5,273,975.41
Total	\$ 40,978,411.47

Table 17 Table 17 shows the Receiver's recommended plan for the use of the \$4.5 million in annual revenue that was previously used to reimburse the Government of Guam for debt service; to fund the upgrades to the residential transfer stations, the Dero Road upgrades, and the post-closure reserve for the Ordot Dump; and, to fund the other capital requirements of GSWA. Table 17 is also included as Tab 23 in larger type for the convenience of the reader.

Table 17 Future Capital and Ordot Post-Closure Funding Cash Flow

Future Capital and Ordot Post-Closure Funding Cash Flow								
Year	Funding Requirement			Balance at Beginning of FY*	Funds Added During FY (Includes Actual and Estimated Interest Earnings)	Funds Available		
	Additional Projects	Allocation of Funds to Ordot Dump Post-Closure Reserve	Closure Cost of Cells 1 & 2 and New cell at Layon Landfill			Funds Used for Capital and Ordot Post-Closure Expense During FY	Funds Used for Legal Expense During FY	Balance at End of FY
FY2014				\$ 2,437,501.89	\$ 1,873,790.40	\$ -		\$ 4,311,292.29
FY2015				\$ 4,311,292.29	\$ 4,500,314.89	\$ -	\$ 77,441.35	\$ 8,734,165.83
FY2016	\$ 4,721,450.00	\$ 2,000,000.00		\$ 8,734,165.83	\$ 4,501,596.96	\$ 6,721,450.00	\$ 100,000.00	\$ 6,414,312.79
FY2017	\$ 4,721,450.00	\$ 2,000,000.00		\$ 6,414,312.79	\$ 4,501,596.96	\$ 6,721,450.00	\$ 100,000.00	\$ 4,094,459.75
FY2018	\$ -	\$ 2,000,000.00		\$ 4,094,459.75	\$ 4,501,596.96	\$ 2,000,000.00	\$ 100,000.00	\$ 6,496,056.71
FY2019	\$ -	\$ 2,000,000.00		\$ 6,496,056.71	\$ 4,501,596.96	\$ 2,000,000.00	\$ 100,000.00	\$ 8,897,653.67
FY2020	\$ -	\$ 2,000,000.00	\$ 5,295,321.05	\$ 8,897,653.67	\$ 4,501,596.96	\$ 7,295,321.05	\$ 100,000.00	\$ 6,003,929.59
FY2021	\$ -	\$ 2,000,000.00	\$ 7,932,308.75	\$ 6,003,929.59	\$ 4,501,596.96	\$ 9,932,308.75	\$ 100,000.00	\$ 473,217.80
FY2022		\$ 2,000,000.00	\$ 2,636,987.71	\$ 473,217.80	\$ 4,501,596.96	\$ 4,636,987.71	\$ 100,000.00	\$ 237,827.05
FY2023		\$ 1,670,900.00		\$ 237,827.05	\$ 4,501,596.96	\$ 1,670,900.00	\$ 100,000.00	\$ 2,968,524.01
FY2024				\$ 2,968,524.01	\$ 4,501,596.96	\$ -	\$ 100,000.00	\$ 7,370,120.97
FY2025				\$ 7,370,120.97	\$ 4,501,596.96	\$ -	\$ 100,000.00	\$ 11,771,717.93

*For FY14 the beginning balance is May 1, the first month these funds were set aside for this purpose.
 Note: Shaded areas are estimates. Areas not shaded are actual expenditures and funds available.

The additional projects will be completed over calendar year 2016 and 2017. This timeframe provides the following benefits:

- Encompasses two dry seasons for the work;
- Fully funds the estimated cost of the projects;
- Sets aside \$4 million for the Ordot Dump Post-Closure Reserve during this time; and
- Continues setting aside funds for the Ordot Dump Post-Closure Reserve until it is fully funded.

The plan also provides sufficient funds for the new cell(s) and the proper closure of cells 1 and 2 at the Layon Landfill.

To assure that the needed funds are actually set aside and remain available to pay for the post-closure care of the Ordot Dump after the Receivership ends, the Receiver recommends that when the Receivership ends, the Court appoint a trustee to manage these funds and assure that the Ordot Dump Post-Closure Reserve is fully funded. The trustee, under the supervision of the District Court, should have the following duties:

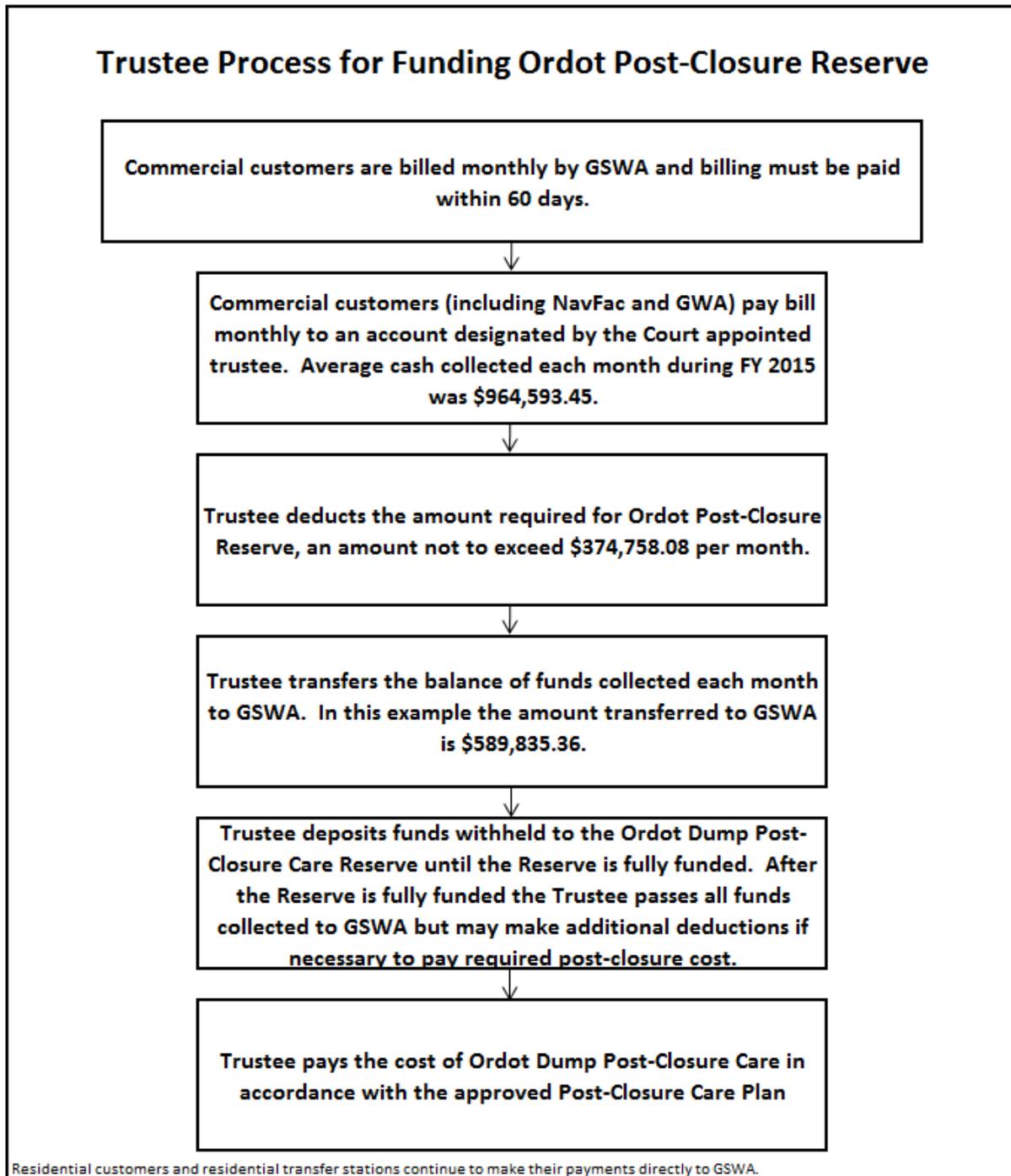
1. Management and care of the funds in the Ordot Dump Post-Closure Reserve;
2. Assuring that a qualified operator is in place at all times to manage the Ordot Dump's post-closure care;
3. Paying for post-closure care from the Ordot Dump Post-Closure Reserve;
4. Receiving all payments owed to GSWA each month from the commercial haulers on Guam;
5. Adding funds from these payments to the Ordot Dump Post-Closure Reserve in compliance with the plan shown in Table 17 and passing on the remaining funds to GSWA for its use;
6. Periodically reassessing the financial requirements of the Ordot Dump Post-Closure Reserve and adjusting the amounts put into the reserve if needed;
7. Commissioning an independent engineer to inspect and certify that the Ordot Dump Post-Closure Operator is performing all of the work necessary for the proper care of the environmental closure of the Ordot Dump;⁵ and
8. Such other duties as may be required by the trust instrument or the Court.

The Receiver can handle these duties during the remaining time that the Receivership is in place and assist the Court in its selection of a trustee developing the trust instruments. If all commercial haulers on Guam are required by Court Order to make their payments through the trustee, the dedicated funding source will have been achieved since the trustee will be the first to receive the funds. The trustee will deduct what is needed to fully fund the Ordot Dump Post-Closure reserve, and pass the balance through to GSWA for its operations. GSWA bills and collects more than \$10 million annually from commercial haulers ensuring that the trustee will have funds that are more than adequate to secure the Ordot Dump Post Closure Reserve requirements.

⁵ This would need to be completed quarterly during the first three years and once annually thereafter.

The flow of funds through the trustee to ensure that the Ordot Dump Post-closure Care Reserve is funded as illustrated in Figure 41. This recommended process only affects commercial payments to GSWA. Residential payments are not affected.

Figure 41 Trustee Process for Funding Ordot Post-Closure Reserve



100 percent of the cost of Guam's Solid Waste System is paid through user fees and federal funds.

There have been complaints, primarily from elected officials, that the federal government is not doing enough to help Guam with its solid waste issues. Both the initial cost of the land for the Layon Landfill⁶ and all of the debt service on the 2009 Bonds have been paid with federal funds⁷. The only local tax money that has been used to date since 2008 was in the form of tax credits awarded by the Government of Guam to the former landowners, based on the large increase in the cost of the land ordered by the Superior Court of Guam.

The Federal money used to pay the debt service could be used for other purposes if it were reimbursed to the Government of Guam by solid waste ratepayers, but there is no federal or market based requirement that this be done. It is a discretionary decision of Guam's policy makers similar to a decision to raise the rate of an existing tax or impose a new tax.

There has been much misleading or false information concerning the need for a rate increase. It is suggested that the current customer rates are not sufficient to pay for the solid waste system, with the clear implication that the system is operating at a deficit and creating a large debt that ratepayers will be called upon to pay after the Receivership. This is not correct. The current rates are sufficient to pay for the operation of the system; there is no debt for which solid waste customers are responsible; and, there are sufficient funds to pay for the additional projects, Post-Closure Care of the Ordot Dump, and future capital needs. As the Receiver has said previously on many occasions, there is no need for a rate increase for solid waste.

The Government of Guam has had the information needed to raise the rates since June 2012 but it has taken no action to actually raise the rates. The Receiver has provided information to the Government of Guam on numerous occasions since June 2012 that the Government could raise the rates if it wished to be reimbursed for the use of Section 30 revenue for debt service. The Government of Guam has taken no action to increase rates, insisting that only the Receiver could raise the rates, and arguing that the Receiver was not doing its job by not raising the rates. It has been and continues to be the position of the Receiver that a rate increase is not needed for solid waste; however, the Receiver acknowledges the prerogative of the Government of Guam to raise the rates in order to use the Section 30 Federal funds for other purposes. The Court formally ruled on May 27, 2015, at the request of the Government of Guam, that the Government of Guam has the ability to raise the rates, confirming what the Receiver has been telling the Government of Guam for more than three years. In the intervening months since that ruling, to the best of the Receiver's knowledge, there have been no steps taken by the Government of Guam to change the rates in any way.

⁶ The initial deposits into the local court system for the land were paid from Federal Compact-Impact funds.

⁷ Debt service is paid with Federal Section 30 funds.

Revised Transition Timeline

The Court has directed that the Receiver submit a revised transition timeline for the Court's consideration. The additional projects will require:

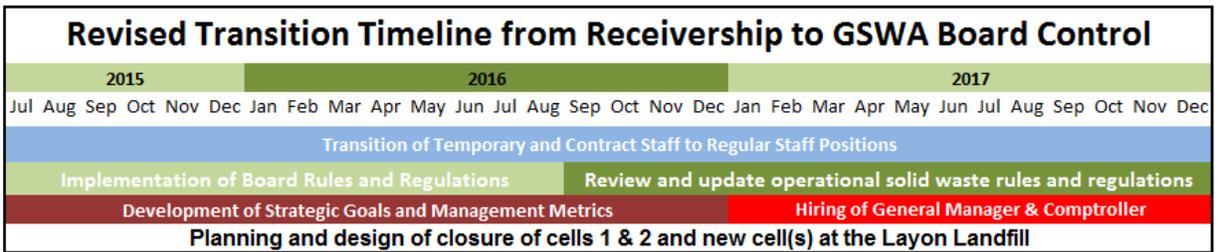
1. Planning – While much of the work for the Residential Transfer Stations has been done, the redesign of the Dero Road project and development of the plan for the environmental closure of the Dededo Residential Transfer Station remain to be completed.
2. Permitting – Construction permits must be acquired for all of the projects. In addition, Solid Waste Facility permits are required for the Residential Transfer Stations at Agat and Malojloj. These permits are both time-consuming and complex, and the Receiver notes that the requirement to permit the residential transfer stations was added by the Government of Guam as a condition for permitting the Layon Landfill and did not exist at the start of the Receivership.
3. Procurement – Bidding in order to select a contractor(s) for additional projects will have to be completed. The Receiver plans to bid both Residential Transfer Stations together to save time.
4. Environmental cleanup of the Residential Transfer Stations at Agat and Malojloj must be completed before construction can begin. The Agat cleanup is a significant undertaking since it is adjacent to the site of an illegal dump known as the Santa Anna Dumpsite, and waste on the Agat residential transfer station property is of significant size.
5. Construction – The time required for construction is dependent on several factors that are sometimes unpredictable. In the case of the Residential Transfer Stations, the environmental cleanup will need to be completed before construction can get underway. For this reason alone the work will likely require two dry seasons.
6. Close-out of the work and receipt of required documentation.

As is always the case, there are factors beyond the procedural and regulatory ones listed above that can affect the time required to complete the work. Chief amongst these is the weather on Guam. Given the nature of the work, storms and heavy rains will slow work. While the Receiver tries to allow for this in construction schedules, this is at best an imprecise effort with the weather often causing more delay in the work than the schedule provided. Weather which is better than expected may also speed up the construction calendar. Given all of these considerations, the Receiver believes it reasonable to anticipate that two dry seasons will be needed to complete all of the work.

Contractor performance is also a key factor. As the Court may recall, the Harmon facility took much longer than necessary due to poor planning and execution by the winning bidder. A well-executed work plan by the contractor can speed the work but a poor one will always slow it down.

These and other factors may slow or speed the work. Having considered these factors as best we can, our estimate of the time required to transition to GSWA Board control is two dry seasons given the work to be accomplished. Figure 42 illustrates a revised transition timeline and suggests areas of emphasis for the Guam Solid Waste Authority (GSWA) Board during this extended time-frame as it prepares for its new responsibilities.

Figure 42 Revised Transition Timeline for Receivership to GSWA Board Control



During the transition period, the conversion of temporary positions to permanent positions should be a major focus for the Board and the legal counsel hired to assist in the transition.⁸ Since transitioning these positions to regular positions will cause a significant increase in GSWA’s cost, it should be carefully planned but not actually executed until near the end of the transition period. This is a critical step by the Board that is still pending.

Another area the Board should address is the solid waste rules and regulations. The Board has now adopted rules governing its own deliberations and actions. There are, however, operational rules and regulations that should be updated to reflect the way the system operates today as compared to its operation prior to the Receivership. These rules are entitled “Solid Waste Collection, Disposal, Processing and Recycling” and are found in Title 29 of the Guam Administrative Rules and Regulations under the Department of Public Works.

In addition, as the Board moves toward the time it will hire a General Manager and Comptroller, it should consider how it wants to manage the system and judge the performance of those who occupy these positions. Developing the strategic goals and the management metrics it wishes to use in this endeavor will be an important step in this process. The Receiver has produced reports for the District Court that includes many of the metrics the Board may wish to use, and recommends that these be continued after the Receivership. However, it should be a conscious decision of the Board to adopt these metrics in whole or in part and to add anything it wants further.

Finally, the Board should consider how it wants to proceed with the planning and construction of the next cells and the closure of cells one and two of the Layon Landfill. Will the new General Manager have this responsibility or will the Board hire a construction management firm to manage the projects? Will the current operator remain in place and handle these duties? Who will handle the permitting process on behalf of GSWA? These are vital tasks that must be accomplished during the first two or three years of

⁸ It has been suggested by some members of the GSWA Board that the Board simply keep the employees employed under the same contract arrangement that the Receiver has utilized. In a letter dated May 28, 2009, Deputy Attorney General Pat Mason noted that such an arrangement by the Government of Guam would violate federal and local law which requires all such positions to come under the merit system. Mr. Mason recommended that the Receiver use the authority granted it by the Court to directly employ such workers and this was done. However, based on the Receiver’s understanding of the legal advice provided to it by the Office of the Guam Attorney General, the GSWA Board cannot legally continue the contract approach the Receiver has used.

the Board's management of the system. In order to avoid a disruption in service, this work must be completed on time and meet stringent environmental standards. Tab 24 provides the Court and the Board with the Receiver's estimates of the timeline for closure of cells one and two and the construction of the next cell(s).

7. Next Steps

Ordot Dump Closure

- Continue completion of Phase II work tasks and all remaining construction activities.
- Monitor and manage leachate collection and gas system operation until operator is on board.
- Continue project management of construction work to facilitate contractor's effort to make up time lost on the schedule.
- Continue coordination with GEPA and USEPA regarding Post Closure Care Plan review.
- Continue development of the Ordot Dump Post Closure Care procurement documents.
- Begin to develop construction certification documentation.

Design and Construction Management

- Procure design services and redesign Dero Road plans for construction procurement.
- Advance the development of Dededo Residential Transfer Station Closure Plan.

Layon Operational Support

- Procure installation of the surge tank improvements at the Pump Stations.

Environmental Compliance and Monitoring

- Pursue final review of the Ordot Post Closure Care Plan with GEPA and EPA.
- Continue to conduct GEPA and EPA bi-weekly meetings to guide and manage environmental permitting and compliance.
- Continue Operation Year Number Four with annual reporting.
- 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 and 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 FY2015 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.