

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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November 8, 2016

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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 third quarter of FY 2016. The purpose of this Report is to describe to the Court the progress made toward compliance with the Consent Decree for the reporting period April 1, 2016, to June 30, 2016, 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 three months covered in this Report, the work to achieve compliance with the Consent Decree has advanced closer to completion. The Receiver has continued post-closure operations, maintenance, and compliance monitoring of the Ordot Dump Closure facility. During this reporting period the facility was in a year-long warranty period. The Receiver also continued to oversee operations at the state-of-the-art Layon Landfill 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.

During the reporting period, interim post-closure operations at the Ordot Dump included developing operational protocols, conducting warranty service, and equipment maintenance. In addition, environmental monitoring activities have continued. These monitoring activities include:

- Monitoring groundwater, stormwater, and landfill gas at the Layon Landfill;
- Leachate and marine water monitoring; and,
- Gas, leachate, stormwater and cover monitoring at the Ordot Dump, as well as the associated compliance reporting.

From an operational perspective, GSWA continued to operate smoothly and in compliance with all applicable environmental laws and regulations. The number of residential customers continued to grow and residential trash collection crews continued to achieve outstanding results for customers. GSWA customer service staff also continued to achieve excellent results for customers while maintaining extraordinarily low delinquency rates.

During the reporting period, procurement activities for GSWA included the procurement of the required construction and other services to upgrade the residential transfer stations at Agat and Malojloj along with the environmental closure of the Dededo Residential Transfer Station. We also continued to work with legal counsel to pursue our claim on behalf of GSWA for liquidated damages in connection with Maeda Pacific Corporation's (MPC) failure to adhere to the contractually agreed upon schedule for delivering the Harmon Residential Transfer Station and the Household Hazardous Waste Facility.

In the financial area, GSWA operating results for the reporting period covered by this report continued to be strong. GSWA's cash position remained stable during the reporting period and the fund balance is estimated by the Receiver to have increased during the reporting period.

In this Report, we present the following updates for April 1, 2016, to June 30, 2016:

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

1. Ordot Dump Closure (April 2016 – June 2016)

Interim Operations / Post Closure Care Period

Interim Operations – The Receiver has continued to manage operations of the Ordot Dump Post-Closure Plan on an interim basis using the services of GHD¹ to manage operations in the post closure period. As we had described in the previous report, this provides several dividends – chief among these is to allow for resolution of typical startup issues associated with a new operation and development of a set standard of operational procedures. A set of Standard Operating Procedures (SOPs) is being created for the gas collection and control system, leachate collection system, and other systems that will be included in the scope of work of the procurement for the Ordot Post Closure Care Operations.

As part of the interim operations and monitoring, several warranty work items were addressed during this reporting period and are described in greater detail in the appropriate sections below.

The Gas Collection and Control System (GCCS) designers from Brown and Caldwell and operational specialists from Geo-Logic Associates (GLA) remain involved, providing appropriate technical support as the system continued to work through some issues associated with a poorly functioning flare station blower. As with the leachate collection system, the interim operation of the GCCS has provided the

¹ GHD is the construction management consultant for the Receiver. This work is performed in conjunction with GHD's sub-consultant Geo-Logic Associates (GLA).

Receiver the opportunity to address several operational issues before it is handed over to the post closure care operator. During this period, these include, flare fluctuations and restarts, inconsistent power supply readings, operation of the wells, and the blower malfunctions. SOPs for the GCCS are developed and being reviewed and refined.

In addition to the two main closure systems described above, SOPs are being developed for stormwater system inspections and maintenance, groundwater and gas well monitoring and maintenance, and the backup power generation system. The operations, maintenance and monitoring inspections for all the closure systems in this reporting period are described in the following sections in more detail.

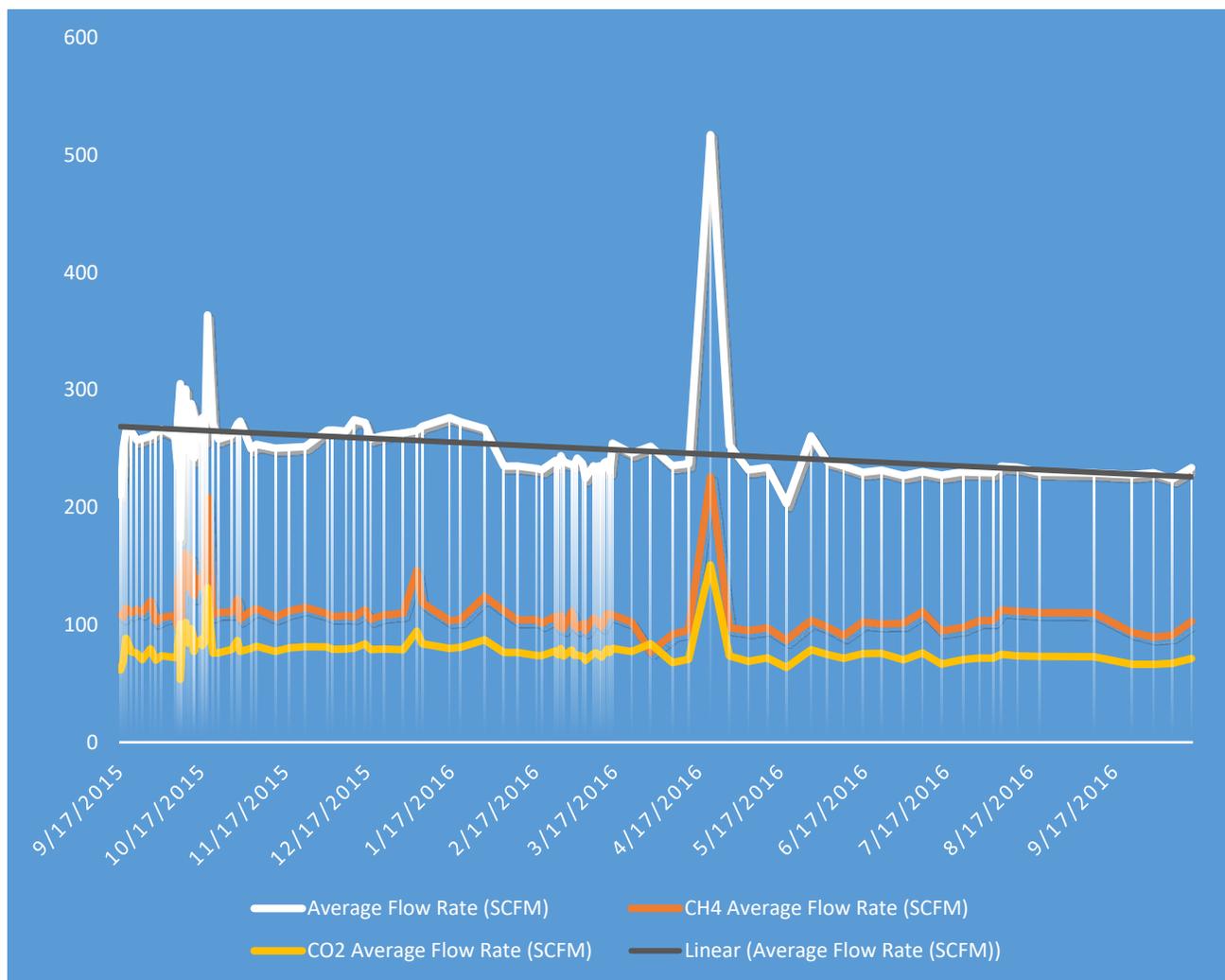
Gas Collection and Control System (GCCS) – The system is in operation collecting landfill gas over the entire Ordot Closure system. It has operated since September 2015 and continues to prevent millions of cubic feet of greenhouse gases escaping into the air. The gas composition is primarily a mix of methane and carbon dioxide, both greenhouse gases impacting global warming. Figure 1 (next page) shows the flow rate of landfill gas since collection began. As the design had anticipated, the flow rate is relatively low indicating that much of the waste is already in an advanced state of decomposition. The trend in the flow rate is slightly downward, however, it will fluctuate from time to time. Early in the process, there were several flow fluctuations related to the initiation of the gas system and balancing of the wells. There were also several flare shutdowns and startups for testing of the operations system. In late April 2016, Blower No. 1 was replaced by Blower No. 2, which resulted in a shutdown and restart of the flare. The flow rate is monitored as part of the GCCS operations, maintenance and management of the gas system.

In addition to the routine operations, maintenance activities performed during this reporting period include:

- Monthly maintenance of the flare pad – which includes draining the blower, checking belt tension, draining the flame arrestor, cleaning the air conditioning filter and checking the various sensors that monitor, moisture, pressure and flow;
- Warranty inspections of blower bearing temperatures;
- Flow Meter No. 1 removal for calibration off-island and replaced with backup meter;
- Flare shutdown/performance of leak test on all welds, connections, gauges and flanges;
- Blower Assembly No. 1 removed for warranty refurbishing work, Blower Assembly No. 2 installed; and,
- Pilot Light Solenoid Valve maintenance.

The management of this system is an ongoing and continual process of monitoring the gas generated from the waste. This requires weekly monitoring of gas composition generated at each of the extraction wells and making adjustments to create optimal conditions for gas collection, combustion, and prevent adverse conditions that would cause poor performance.

Figure 1 – Ordot Dump Gas Flow Rate and Composition Since Startup



Perimeter Ordot Dump Landfill Gas Monitoring Network – Coupled with the GCCS are the perimeter landfill gas monitoring wells: a network of 18 wells around the entire perimeter of the closure system. These wells are monitored weekly for the presence of gas in the soil outside the closure system. The maximum allowable percentage of methane in the gas readings in each well is to be less than 5 percent for compliance with regulatory standards. Several of these monitoring wells were installed during the investigatory phase of the closure design effort to understand the presence of methane in the subsurface prior to the installation of the closure system. Many of these wells showed methane levels that exceeded the 5 percent standard before the closure system was installed. This was expected. With the closure system in place, all wells are in compliance with this standard with the exception of two in an area where a significant amount of waste was relocated into the main waste pile. These gas readings, above 5 percent, measuring the residual gas in the soil, are anticipated to dissipate over time. These gas readings above 5 percent have been consistent over the time they have been monitored. Two other nearby monitoring locations have also occasionally exceeded 5 percent. We are working with USEPA and GEPA to continue to monitor and take proactive steps to reduce readings to compliant levels. In the previous reporting period we initiated a 90-day monitoring period of the existing conditions. This helped establish baseline conditions to develop a gas mitigation plan for the immediate area surrounding the wells with readings above 5 percent. The draft mitigation plan we have developed includes an investigative phase to determine the extent, beyond the wells, where soil gas readings dissipate below the 5 percent level, and a remediation plan for the removal of soil gas that should reduce the soil gas readings to acceptable levels in the area to below the 5 percent level. This draft plan has been provided to USEPA and GEPA for review. We will continue to work with USEPA and GEPA to execute a mitigation plan that is acceptable to these regulatory agencies during the post closure care period.

Routine maintenance work for the wells included:

- Repair of LFGMW (Landfill Gas Monitoring Well) traffic covers due to construction work along Dero Road; and,
- Vegetation clearing around all LFGMW to maintain a firebreak at each wellhead.

However, since the wells are new, located within the security fencing, and in locations that are currently un-vegetated, little maintenance is needed at this time.

Leachate Collection System and Dero Road Sewer Line – The leachate collection system has been operating effectively for over a year since it was put into operation in late January 2015. As of this reporting, the leachate quality continues to meet Guam Waterworks Authority (GWA) discharge standards to the public sewer system and flow volumes have been continuously dropping, as anticipated by design targets, since the closure system has been in place. Over the course of the three-month reporting period, more than 638,000 gallons of leachate has been captured, with an average daily flow of approximately 7,000 gallons, and over 8.9 million gallons since operations commenced. Leachate quality and quantity continues to be reported quarterly to GWA as well as to GEPA and USEPA.

Operation of this system is a 24 hours per day, seven days per week responsibility, and requires periodic maintenance of the leachate tanks, pumps, electrical controls, piping, and backup power generation

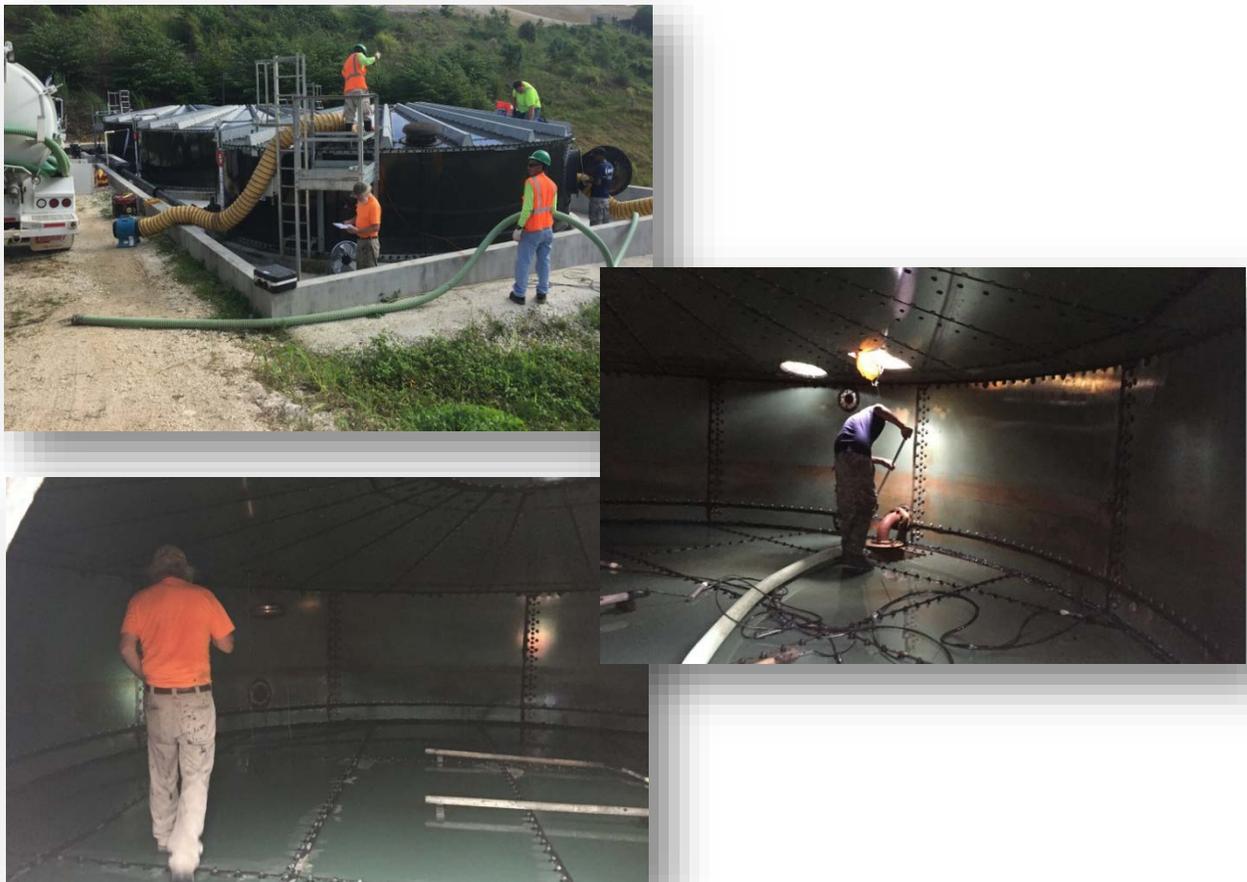
system. In this interim post closure period, warranty work was performed on the leachate tanks over a few weeks in April 2016. The work included the complete draining of all three tanks and visual inspection of all interior surfaces, seams, cathodic protection, and appurtenances. Figure 2, below, presents examples of that work. Other maintenance work in the reporting period consisted of:

- Leachate collection pipe inspections with Camera followed by pipe cleaning;
- Pump intake pipe clogging removal of bacterial growths; and,
- Pump screen cleanings.

The operational and inspection routine is conducted on a daily basis and consists of the following daily activities:

- Photo documentation;
- Pump total flow rate check;
- Tank level check; and,
- Tank secondary containment draining.

Figure 2 – Warranty Work on Ordot Dump Leachate Tanks



The Dero Road sewer line, extending from the GWA flow meter at the Ordot Dump gate was completed in late January 2015 and has been operated by GWA since that time. It delivers all leachate from the entire Ordot Dump Facility to the Hagatna Wastewater Treatment Plant for proper disposal. On May 23, 2016, GWA formally completed the acceptance of this asset with the submittal of an acceptance letter included in Tab 3 of this report.

Water Quality Monitoring Network - As with the LFGMW network, there is a network of 17 groundwater wells and four surface water sampling locations around the entire perimeter of the Ordot Dump closure system. Ten of the groundwater monitoring wells are required to be sampled on a semi-annual basis, coincident with four surface water locations and leachate sampling in the post closure care period. Nearly all of the monitoring wells were installed during the investigatory phase of the closure design effort to understand the existing groundwater conditions to develop baseline values from which to compare future water quality monitoring. The four surface water quality monitoring locations are the same as those in the investigatory phase. The wells of the water quality monitoring network are included in the routine site inspections and maintenance being performed during this interim period.

A Sampling Analysis Plan for the water quality monitoring has been prepared and is under review by USEPA and GEPA. We anticipate performing the first post-construction semi-annual event during the fourth quarter of calendar year 2016.

Cover System – The cover system, now installed, has been designed for long-term stability and low maintenance requirements for the duration of the Ordot Dump post-closure care period. In the initial year or two of the post closure period there will be settling and adjustment of the coralline limestone infill of the geocell layer and there will be some erosion of this material as it stabilizes and vegetation is established. During the previous reporting period grass mowing of the cover area was performed in late March 2016. The mowing requirements are to cut grass to a 6-inch height and to remove any woody plants from establishing on the cover area, to include Trunken Gágu (Ironwood tree), Tángan-Tángan, and Sácate (swordgrass). Beyond mowing, very little maintenance is anticipated in the first several years of the post closure period; however, regular compliance inspections, monitoring and reporting is performed in this interim period as required by the post closure care plan.

Stormwater Management Systems – Stormwater conveyance channels function as part of the cover system conveying stormwater off the cover system. The stormwater is conveyed to the four constructed stormwater detention ponds, which capture sediment and temporarily retain stormwater, allowing it to slowly enter the environment as required by applicable environmental regulations. These systems were put into service as soon as they were completed and regular inspections are performed along with the cover system inspections. We are presently monitoring a few locations on the cover system where there is some localized settlement of stormwater swales. The channels were made with concrete. As a result, there is expected to be some initial settlement and cracking which will dissipate over time. We will continue to monitor these areas and make repairs as needed.

Additionally, the stormwater ponds are regularly inspected and maintained with sediment and vegetation removal dictated by prescribed threshold conditions (such as sediment depth and height or thickness of

vegetation) when they occur. Standard maintenance procedures are being developed in this interim operations period to maintain these areas consistently.

Perimeter Security Fencing – Completed in January 2016 and surrounding the entire closure facility, the security fencing encompasses the Ordot Dump closure cover system, the stormwater ponding basins, the gas collection system, the leachate collection system, and the perimeter groundwater and gas monitoring wells. This eight-foot-high security fence system provides a permanent barrier for the duration of the 30-year post closure care period. Routine inspections occur daily and weekly. Maintenance presently consists of keeping vegetation off the fence and cut short adjacent to the fence. In this reporting period signs were installed on the fence main gates and a six-inch bollard added to protect the control panels along the fence.

Construction Management and Construction Quality Assurance

Construction Certification Report – The purpose of this report is to document to the USEPA that, in our professional opinion, the closure system has been completed in compliance with the Contract Drawings and Technical Specifications developed by the Brown and Caldwell Ordot Dump closure design. During construction the necessary observations and testing were made to verify that the construction was conducted properly. The Final Construction Management (CM) and Construction Quality Assurance (CQA) Report is a written narrative that includes a description of construction observations, CQA personnel, CQA scope of work, test methods, procedures, CM and CQA test results, CM and CQA acceptance documentation and photo documentation of the construction work.

The combined CM – CQA report, submitted to USEPA in early February 2016, is presently under final review. We have responded to comments from USEPA during the review process, providing revised documents as needed. The acceptance of the report is one aspect to the closure certification process by USEPA.

Post Closure Care Period - 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 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 providing final approval of the Post Closure Care Plan. One of the comments that has come from this review is the requirement for SOPs to be made part of the Plan when they are completed. This will be a two-step process where the SOPs prepared in the interim operations period will be updated as needed by the Operator selected to carry out the operations and maintenance in the Post Closure Care period. In this reporting period, the Receiver continued to use bi-weekly teleconferences and technical calls to facilitate the review process. At this time, approval of the plan is still pending with the regulatory agencies.

It is our understanding that the review of the plan by USEPA has been slowed by a procurement process that is necessary to continue their access to the independent experts upon which they rely to assist them

in this work. It is our understanding that this procurement process is now complete, and it is our hope that we will see some progress on this important matter soon.

Just as with the Layon Landfill, a qualified operator must be selected to manage the post-closure care of the Ordodump. 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 Ordodump Post Closure Care Plan, the associated gas collection system management and maintenance plans, and the SOPs will be primary documents in the procurement package. At the time of this Report the RFP for Ordodump Operations is anticipated to be issued late in 2016 or early 2017.

Dero Road Renovation /Construction – As we have previously reported, this work was awarded through a competitive process to Hawaiian Rock Products, Inc (HRP). Significant progress was made throughout the reporting period with approximately 32 percent of the work completed by June 30, 2016, placing the work somewhat ahead of schedule at that time. As of the date of this report, all work originally planned is substantially complete. However, an additional stormwater issue has come to our attention that appears to be related to prior development nearby, but outside the roadway. Failure to properly address the stormwater caused by these developments creates an additional and significant flooding risk for the Judge Sablan Street/Dero Road intersection that cannot be addressed by the stormwater improvements constructed within and immediately adjacent to the roadway itself. Although the work already completed as a part of the Receiver's project will address the flooding issues at that intersection during normal rainfall events, it may not address the flooding issues in the intersection that occur when the area experiences the very heavy rainfalls that frequently occur on Guam. We are currently evaluating the feasibility of additional stormwater measures that could further mitigate flooding issues in this intersection. We will keep the Court informed of the results of our evaluation and about any additional work determined to be required to comply with the Court's Order that the project address the stormwater mitigation issues on Dero Road.

We also reported previously that an easement was needed on private property to complete some previously planned stormwater improvements. We have been successful in gaining access to the property to complete the required work and an agreement has been reached on the cost and terms of the easement. With the completion and filing of the necessary documents, together with payment to the property owners, this matter will be resolved.

2. Layon Landfill and Consent Decree Projects (April 2016 – June 2016)

Construction Management

During the reporting period, the construction management (CM) consultant, GHD, provided ongoing construction support for the remaining 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;
- Assistance to the Receiver in procurement activity as needed for:
 - GWA Pump Station surge tank procurement;
 - Agat, Malojloj and Dededo Transfer station procurement; and.
- Design support services as described below.

Design Support Services

Upgrade of Residential Transfer Stations – We last reported that the procurement package had been issued on April 26, 2016, to solicit bids. In that process we received no bids that met the minimum requirements for a responsive bid. Subsequent to the reporting period and with the Court’s approval, we determined that it was in the best interest of the Government of Guam to depart from Guam procurement law and execute a competitive bid procurement among a group of qualified contractors. Three potential bidders were contacted, and two of these ultimately made the decision to bid the project. This process was initiated on August 10, 2016 and new bids received September 28, 2016. At the time of this report preparation, a lowest responsible bid has been selected and Notice of Award issued to the bidder. Presently the contract is under review and the bidder gathering insurance documents for submittal. GHD will provide construction management for the work to be performed. The contract allows 365 calendar days to complete the work from the Notice to Proceed date.

With respect to the input of GEPA and USEPA to establish the parameters for the environmental closure of the Dededo Transfer Station, the Receiver has developed and submitted to USEPA and GEPA the closure plan and a scope of work to be bid out for the work necessary to properly close this facility. This plan was submitted to the agencies on January 28, 2016, and subsequently discussed with USEPA and GEPA staff in March 2016. As of the date of this report, there have been no comments or suggested revisions from either agency; therefore, we will proceed with the work based on the plan as submitted in January 2016. Likewise, the upgrades of the Agat and Malojloj residential transfer stations² are also included in the work to be accomplished under the subject construction contract. These plans have also been submitted to USEPA and GEPA but we have received no formal comments or suggested revisions. Accordingly, we will proceed with the work as planned.

We should also note the presence of certain environmental conditions necessitating the cleanup of the sites before construction work can begin. After reviewing these plans for an extended period of time, the Historic Preservation Office (HPO) is now requiring field research be performed at the site by an Archaeologist before work begins. While we will certainly comply with this and any other revisions ultimately required of these plans, last minute changes can be both costly and time consuming and can put the transition timeline at risk should they continue to occur.

² These residential transfer stations have never complied with the requirement in Guam Law that they be permitted by GEPA. As a condition of GEPA’s approval of the operating permit for the Layon Landfill, it is required that these facilities be permitted.

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 facilitate environmental compliance with USEPA 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 Layon 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 issue 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, landfill gas, surface water and leachate. The Receiver and operator coordinate on the reporting and work diligently with GEPA and USEPA to comply and remain up-to-date with all required permit conditions.

In addition to the forgoing, the Layon Landfill must be in compliance with is the Industrial Stormwater NPDES permit. The Layon Landfill has the required Stormwater Pollution Prevention Plan (SWPPP). Regular inspections are conducted, maintenance, best management practices and testing are followed and the Layon Landfill remains in full compliance.

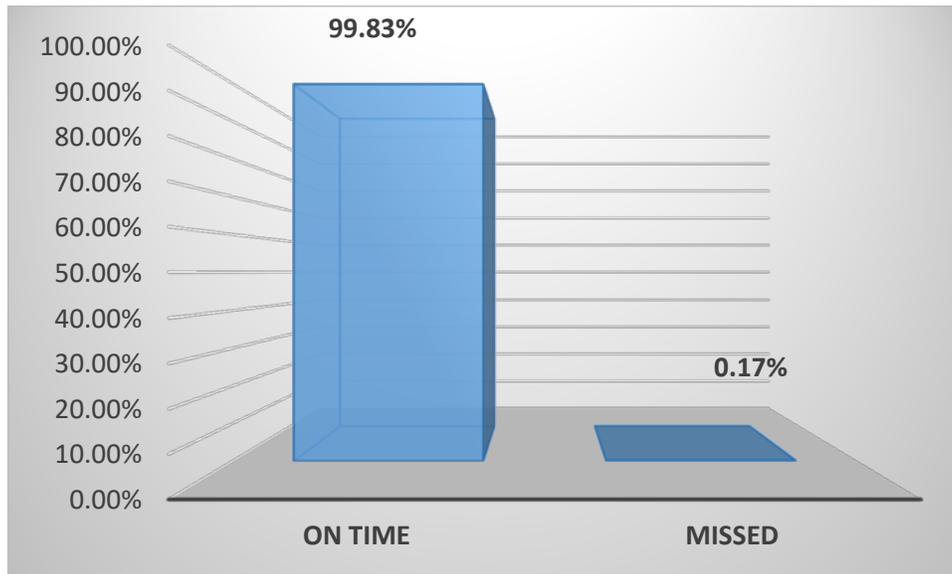
Layon Landfill Groundwater and Site Monitoring – The second semi-annual monitoring event for Operations Year No. 5 (September 2015 to August 2016) was performed in mid-May 2016. The report was submitted on time in late August 2016 to GEPA. This is one of the many permit required reporting documents that are reviewed and discussed with the regulatory agencies. Reporting and results continue to be in general compliance with the permit conditions.

Inarajan Wastewater Treatment Plant (WWTP) – During the reporting periods, 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. GWA has not recently conducted effluent sampling to understand the plant’s 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 USEPA regularly.

3. Operations of the Guam Solid Waste Authority (April 2016 – June 2016)

During the current reporting period, GSWA crews performed 246,023 trash collections, of which 99.83 percent were on-time collections. Figure 3 illustrates the on-time collections during the reporting period.

Figure 3 – GSWA On-Time Trash Collections, April 1, 2016 – June 31, 2016



GSWA residential crews collected 4,989.20 tons of trash from their residential customers over the three-month reporting period. Each GSWA customer-household generated an average of 46.41 pounds of trash each week (6.63 pounds per day), an increase from the last reporting period when the average was 43.67 pounds of trash each week (6.23 pounds per day).

Cart Repairs

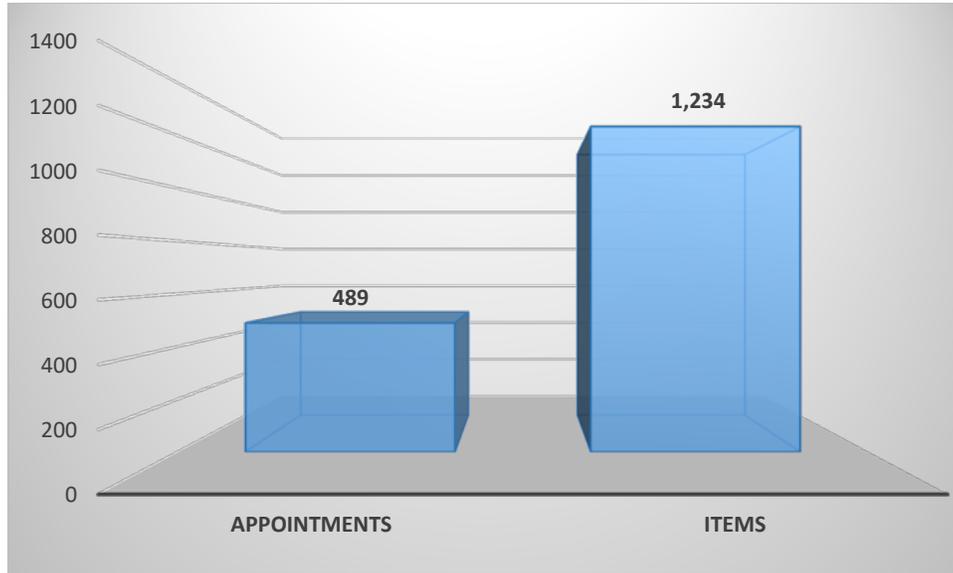
During the reporting period, GSWA had 40 damaged or broken carts. This is an average of 13 carts per month that needed to be repaired, which is slightly less than the 14 damaged or broken carts per month as reported in the Receiver’s previous Quarterly Report to the Court. The carts are holding up well to the work demands and Guam weather.

Bulky Item Collections

From the beginning of the bulky items program in October 2011 through June 2016, customers have made 5,893 appointments to collect 15,910 bulky items, or an average of 2.69 items per appointment. For the months of this report, as shown in Figure 4, GSWA fulfilled 489 appointments collecting 1,234 items, or an average of 2.52 items per appointment. The Bulky Waste program collects items such as sofas, mattresses and white goods, which include 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.

Figure 4 – GSWA Bulky Waste Appointments and Items Collected April 2016 through June 2016



Residential Transfer Stations

The number of customers using the Residential Transfer Station has dropped about 25 percent during the reporting period when compared to the same months in 2015. Correspondingly, there has been an almost 19percent drop³ in tonnage year-over-year, as Table 1 shows.

Table 1 – Residential Transfer Stations Comparison

	April – June 2015	April – June 2016	Numerical Difference	Percentage
Tons	1,349.65	1,094.90	-254.75	-18.88%
Customers	7,491	5,611	-1,880	-25.10%

Each of the Residential Transfer Stations saw a decline in customers although the drop at Malojloj was marginal, with only forty-four fewer customers than during the same months in 2015. The following series of figures depicts each transfer station and the year-over-year change in customers. The Harmon facility was open during these months in 2015 and used by 784 customers.

³ See Table 10 for comparable numbers for the entire fiscal year to date.

**Figure 5 – Dededo/Harmon Compared to Harmon Residential Transfer Station:
1,678 Drop in Customers**

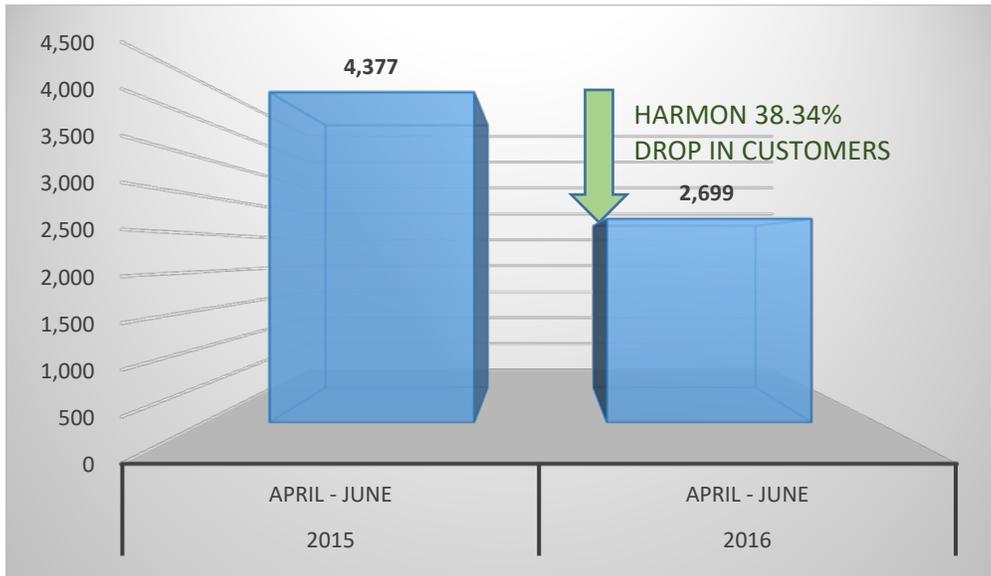


Figure 6 – Agat Residential Transfer Station: 158 Drop in Customers

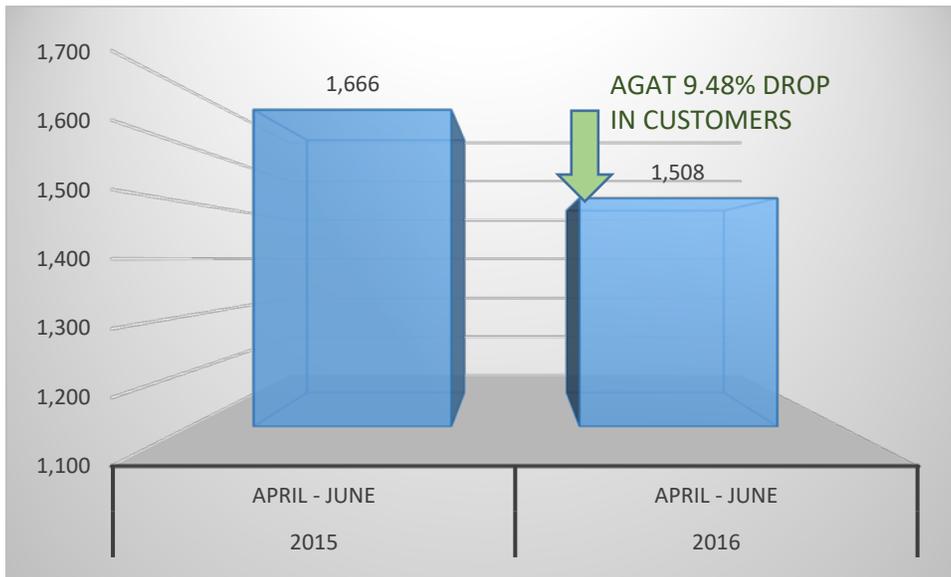
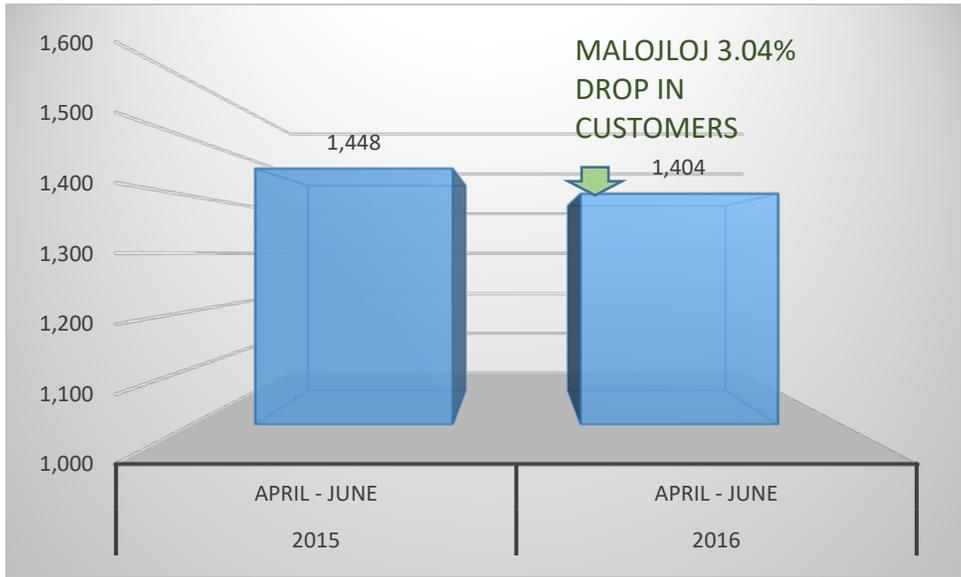


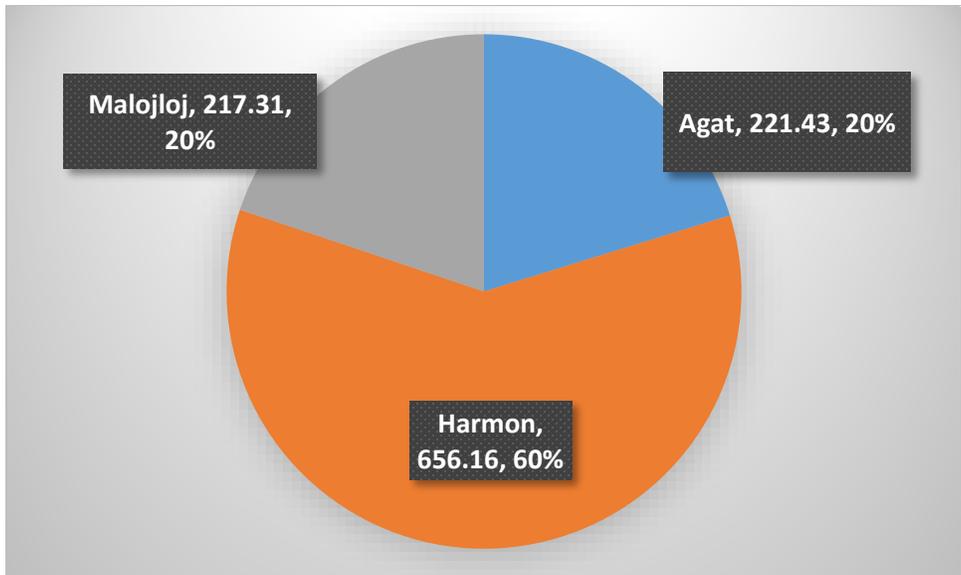
Figure 7 – Malojloj Residential Transfer Station: 44 Drop in Customers



In our last Quarterly Report, we noted a decline in both tons and number of customers to the Residential Transfer Stations over the reporting period. That trend continues during this reporting period. The Governor’s decision to close the Dededo Transfer Station is clearly the primary cause of this decline.

During this reporting period, the three Residential Transfer Stations received 1,094.90 tons of trash with most of it (60 percent) going to Harmon and the remaining amount split nearly evenly (20 percent each) between the two southern transfer stations as Figure 8 illustrates.

Figure 8 – April – June 2016 Trash Tonnage at GSWA Residential Transfer Stations



Hauler-only Transfer Station

The Hauler-only Transfer Station is for commercial haulers and other large generators of trash. Most of the residential trash collected by GSWA crews is also taken to this facility. 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.

For the reporting months from April through June 2016, there were 4,906 scale crossings bringing in 20,650.34 tons of municipal solid waste to the Hauler-Only Transfer Station. This is approximately a six percent decrease from the same months in 2015.

Layon Landfill

The day-to-day operations of the Layon Landfill are managed by Green Group Holdings, LLC, (GGH), the Receiver's contract operator, while GSWA staff operates the scale house and GSWA manages all accounts. The facility is open from Monday through Saturday every week and during all holidays except for Christmas and New Year's Day.

During these reporting months, the Layon Landfill had 1,722 scale crossings bringing in 23,104.98 tons (a monthly average of 7,701.66 tons). This is nearly 1 percent less than the 23,322.66 tons brought to the Layon Landfill during the same months in 2015 brought in by 1,537 scale crossings.

The trash that is delivered to the Hauler-only Transfer Station, after removal of excluded waste, is loaded into tractor trailers and transported down to the Layon Landfill from the Haulers-only Transfer Station. The Layon Landfill also accepts direct deliveries from nearby mayors. Materials not appropriate for the Hauler-only Transfer Station (e.g., biosolids,) are also delivered directly to the Layon Landfill by the GWA. During this reporting period, GWA brought 2,222.06 tons of biosolids (an average of 741 tons per month), which is 40.12 percent more than the 1,585.91 tons of biosolids GWA brought to the landfill in the same months of 2015.

Mayors' offices are regular customers to both the Layon Landfill and the Hauler-only Transfer Station. Figures 9 and 10, below, show the number of scale crossings and tons brought by the Mayors' offices to both facilities. Scale crossings at the Layon Landfill increased by 20 percent in April, May and June 2016 over the same months in 2015, while they increased 12 percent during the same timespan at the Hauler-only Transfer Station. With respect to tonnage of trash, the southern Mayors again brought in 32 percent more trash to the landfill during these reporting months than they did the same months in 2015, whereas the tonnage was nearly the same for each time period at the Hauler-only Transfer Station indicating that

the northern Mayors are not collecting the trash that is “missing” since the Governor closed the Dededo Residential Transfer Station.⁴

Figure 9 – Mayors’ Scale Crossings April – June 2015 and 2016

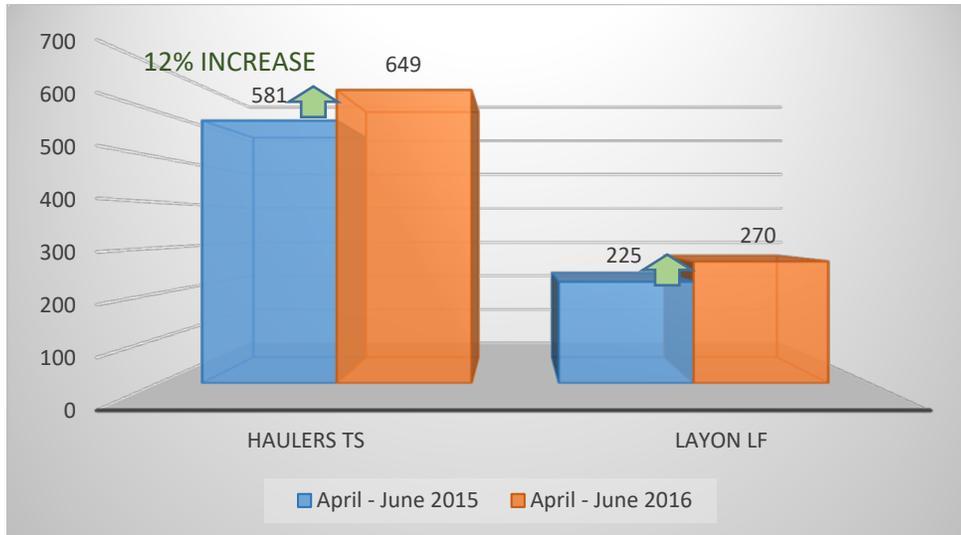
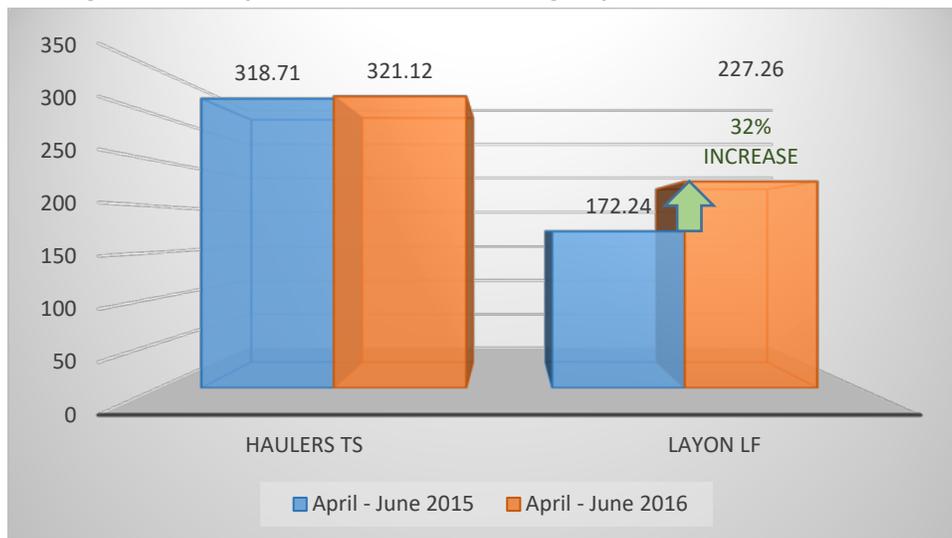


Figure 10 – Mayors’ Offices Trash Tonnage April – June 2015 and 2016



⁴ The Mayors Offices which regularly used the Layon Landfill during this reporting period were from the villages of Yona, Talofoto, Merizo, Agat, Santa Rita, Umatac, and Inarajan. The Yona Mayor’s Office brought in the most tons (83.38 tons) of trash during the reporting period with Talofoto (70.80 tons) and Agat (25.01 tons). The Mayors Offices which regularly used the Hauler-only Transfer Station during this same period were Sinajana, Agana Heights, Ordod Chalan Pago, Hagatna, Mangilao, Tamuning, Mongmong-Toto-Maite, Barrigada, Dededo, Piti, Asan, and Yigo. The Mangilao Mayor’s Office brought in the most trash (65.14 tons) in during this reporting period with Hagatna (51.02 tons) and Dededo (39.43 tons) bringing in the second and third most tons of trash among the Mayors Offices using this facility.

Household Hazardous Waste

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

From the HHWF’s opening day on January 23, 2015 through the end of June 2016, 3,447 customers used the facility bringing 279,080 pounds of HHW. Of the total material brought to the facility, 53 percent (147,960 pounds) fell into categories such as paint, household cleaners, motor oil, aerosols, poison, and more. The remaining 47 percent (131,120 pounds) were electronic items recycled through Pyramid Recycling.

The number of customers who used the HHW facility during the current reporting period numbered 678. They brought in 36,231 pounds of electronics and 19,800 of other HHW products such as poison, paint, motor oil, cleaners, aerosols, batteries, and other assorted hard to properly environmentally dispose of items. Figures 11 and 12 show the number of customers and the quantities of HHW brought to the facility since the inception of the program in January 2015 through this reporting period.

Figure 11 – Number of HHW Pounds per Month, January 2015 - June 2016

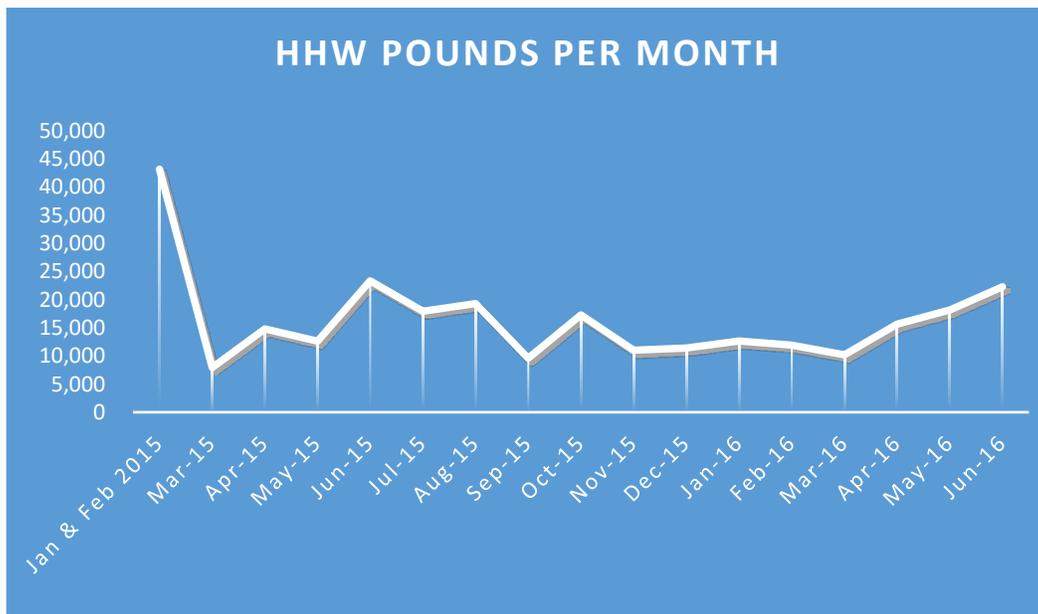


Figure 12 – Number of Monthly Customers at HHWF from July 2015 – June 2016



Administration

GSWA Customer Service creates and maintains the customer accounts, provides work orders to operations, and invoices customers. Customer Service works with both GSWA customers and GSWA operations to make sure that both have the proper information to assure that there are minimal service interruptions to the customer. The Receiver has implemented work order and billing software and consolidated the GWSA's many phone numbers into one multi-line number used by GSWA's customer service representatives (CSRs). There is a CSR who begins work at 3:30 a.m. to assist with operations. It is that person's responsibility to note in the customers' files such items as blocked roads that prohibited GSWA collection trucks from collecting customers' trash and or recycling. The CSR also handles notice of violations such as when contamination is found in customers' carts. Drivers will notify the CSR, who will immediately place the information into the customer's account and notifies the other CSRs, who arrive at work at 8:00 a.m., of these types of situations. 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, for instance, is a tree limb blocking a secondary road.

GSWA's CSRs assisted 1,989 walk-in customers from April through June 2016. 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 4,732 letters and made 4,206 courtesy calls to customers who were late paying their bills and in jeopardy of having their carts repossessed for lack of payment.⁵

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 repossessed 454 carts during this reporting period and 371, or 82 percent, of those customers paid their balance due plus a \$50 reinstatement fee to get the GSWA service back.

Personnel

On June 30, 2016, GSWA had the equivalent of 56 full time equivalent (FTE) positions. There were 26 FTE Government of Guam employees and 29 FTE workers employed by the Receiver through a contract with Pacific Human Resources, Inc. (PHRS). Additionally, there was one employee 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. The number of employees reduced by 43 percent.

GSWA Board of Directors

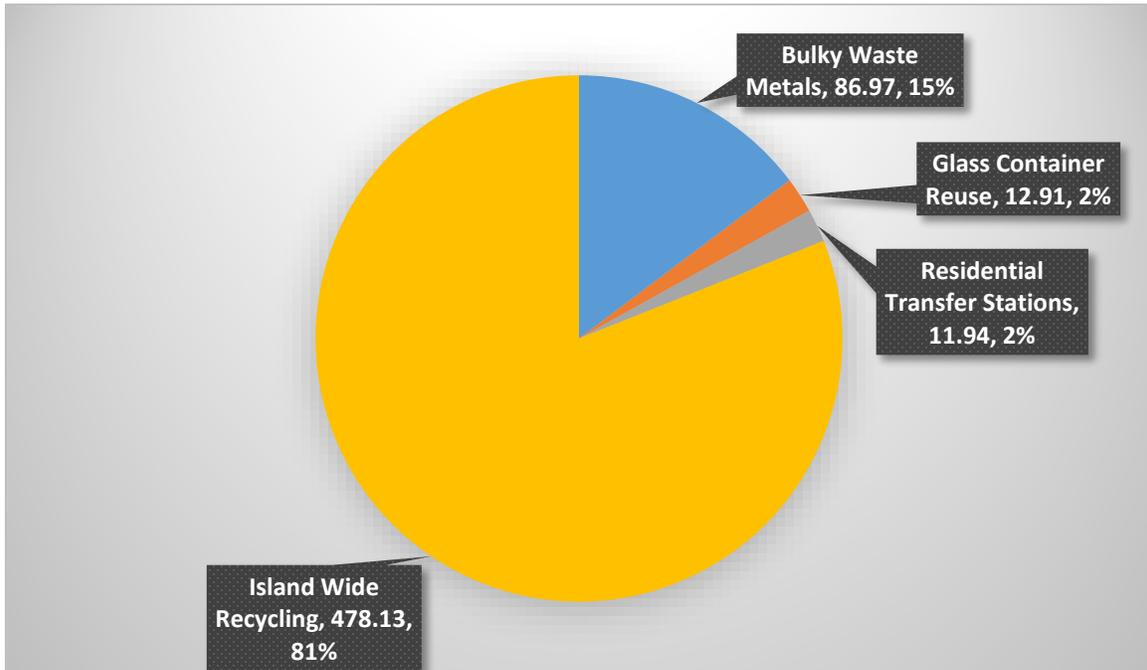
During the reporting period, the GSWA Board of Directors scheduled four Board meetings: one was cancelled, and all others were attended by a quorum or more of the Board of Directors. The minutes and agenda for each meeting are posted on the GSWA website (which can be found at <http://www.guamsolidwasteauthority.com/bod.html>), 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 four board meetings held during this reporting period and briefed the Board on GSWA activities at each meeting.

Island-wide Curbside Recycling Program

Over this reporting period, GSWA recycled and reused 589.95 tons of materials over the course of this reporting period as Figure 13 illustrates.

⁵ In the Receivers' Quarterly Reports we normally provide a record of number of calls received and made by the Customer Service Staff. In this and the previous Quarterly Report we have been unable to provide these numbers because our phone provider, GTA, has been unable to provide such reports.

Figure 13 – GSWA Recycling and Reuse Tonnage April - June 2016



GSWA’s Island-wide Curbside Recycling program accounts for 478.13 tons, or 81 percent, of the total recycled and reused by GSWA. Approximately ninety percent of GSWA’s curbside trash customers have recycling carts. 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. The Authority currently is engaged in a bid to procure such vehicles.

Figure 14 shows the recycling tonnage collected in the Island-wide Curbside Recycling Program from January 2014 through June 2016, with a total of 4,939.48 tons of recyclable material collected at the curb. GSWA collection crews take the recyclable material to Guahan Waste Services, the contractor that processes the material and ships it to end-users who recycle the material. Market values for recyclables are down. For this reporting period, GSWA received \$1,954.67 in revenue for the recyclable items collected in the Island-wide Curbside Recycling Program.

Figure 14 – Island-wide Curbside Recycling Tonnage January 2014 through June 2016

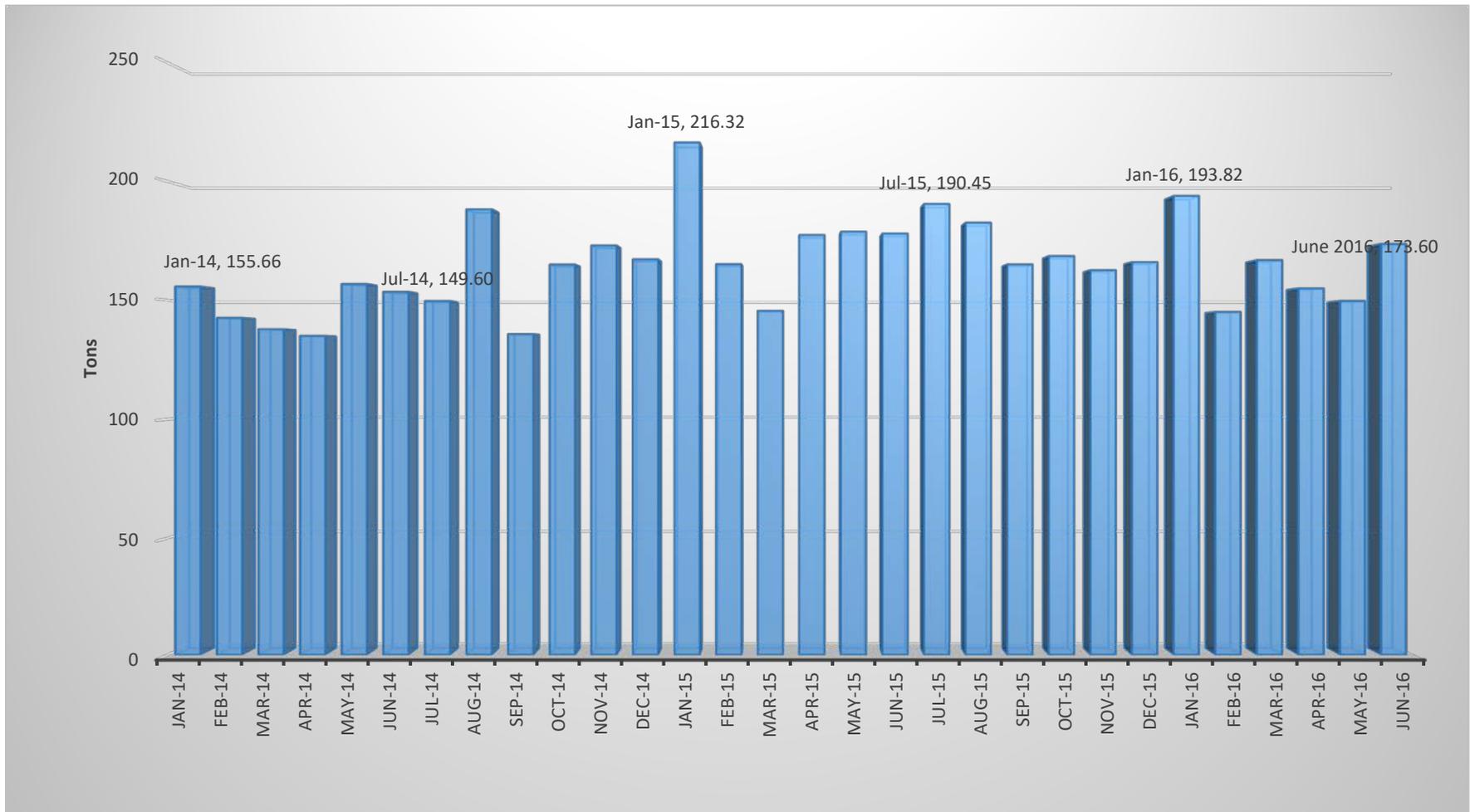
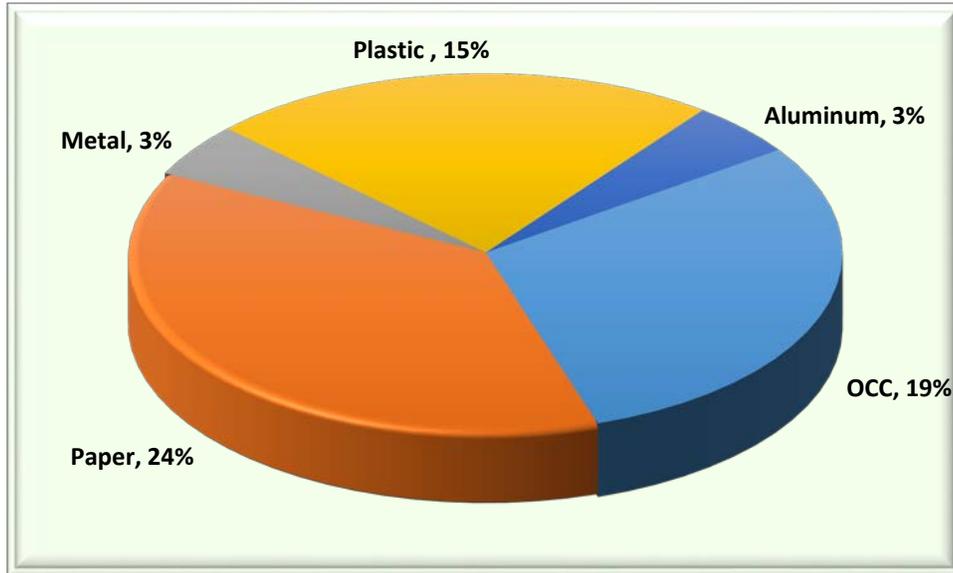


Figure 15 shows the composition of the recyclables collected during the reporting period, broken down by commodity type.

Figure 15 – Percentage Breakdown of Curbside Recyclables Collected April through June 2016



Since GSWA began the roll out of the Island-wide Curbside Recycling program, it has tracked the contamination found in the recycling carts as shown in Figure 16. Over the life of the program, the average contamination is at 31 percent.

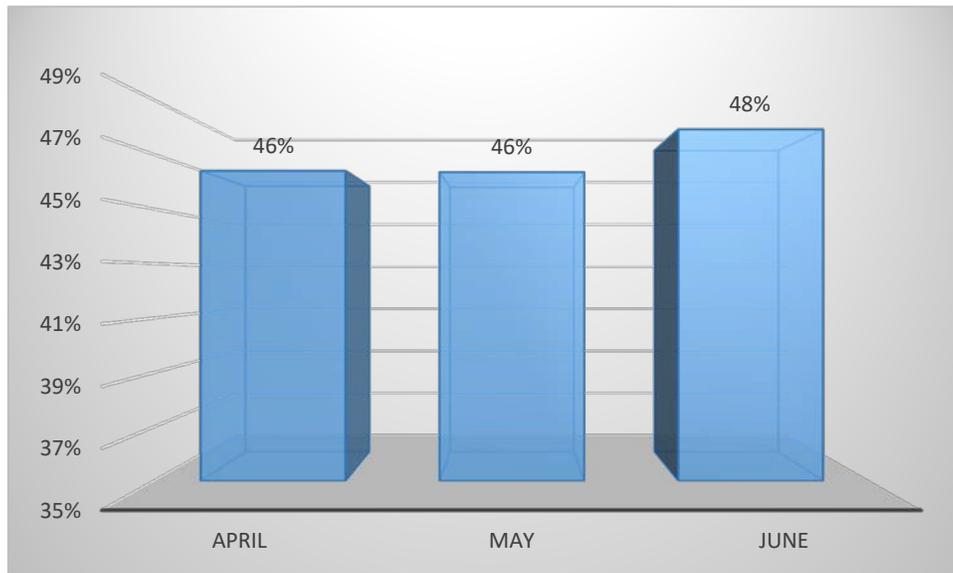
Figure 16 –Curbside Recycling Program Contamination Percentage



During the reporting period, residential trash customers who have both trash and recycling services disposed of 4,989.20 tons of trash and 556.90 tons of recycling, resulting in 11 percent of residential trash diverted to recycling.

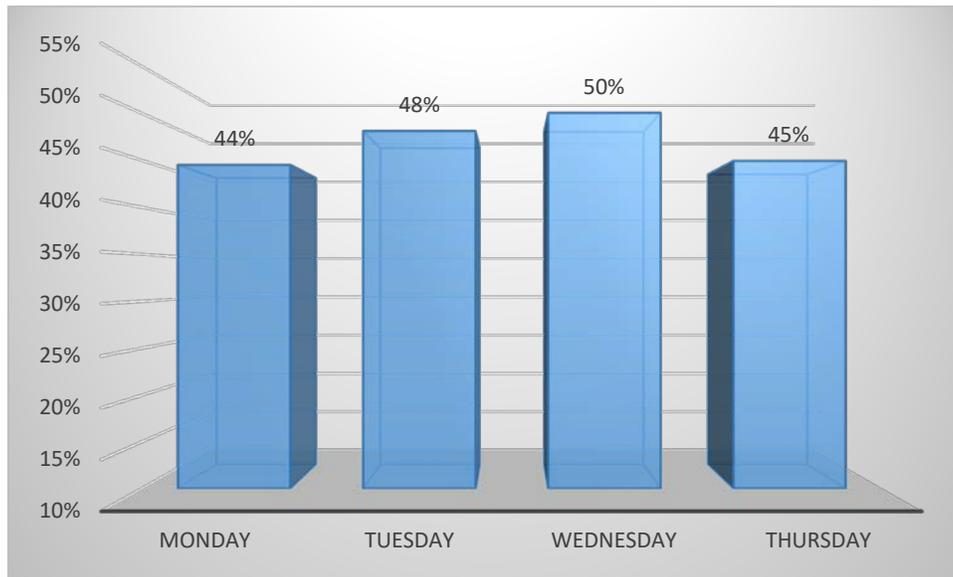
The recycling participation rate is defined as the proportion of households that set out a recycling cart for collection on their collection day. Some customers may set their recycling cart on each collection day but many will set them out when it is full. Depending on their individual recycling habits they may set them out once a month or once every two months. In the previous reporting period, the average set out was 50 percent. During this reporting period the average set out rate dropped to 47 percent. Even though the set-out rate has dropped it remains a respectable and expected number. Figure 17 shows the Average Set Out Rates by Month and Figure 18 shows the Average Set Out Rates by Day.

Figure 17 – Curbside Recycling Program Monthly Set Out Rates April – June 2016



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Figure 18 – Curbside Recycling Program Average Set Out Rates by Day April – June 2016



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, the Receiver 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. During the reporting period the recycling cost per ton was \$139.60, as shown in Figure 19.

Figure 19 – Cost per Ton of Landfilling vs. Curbside Recycling



Table 2 summarizes the cost of recycling over the three months that this report covers:

Table 2 – April through June 2016 Curbside Recycling Costs

Cost Factors	April - June 2016
Cost of Carts	\$18,870.42
Overtime for Personnel	\$6,475.36
Fuel	\$7,895.89
Maintenance/Tires	\$35,381.93
Education	\$294.81
Recycling Processing	\$44,466.09
5% Contingency	\$0
Less Transfer Station Fees	\$(14,200.46)
Less Landfill Fees	\$(10,987.43)
Less Pilot Recycling Cost	\$(19,500.00)
Expense	\$68,696.61
Revenue	\$(1,954.67)
Net Expense	\$68,696.61
Cost Per Ton	\$139.60

4. Contract Management and Procurement (April 2016 – June 2016)

Work on procurement issues during the reporting period was dominated by attempts to purchase needed equipment and to successfully bid the work needed to upgrade the residential transfer stations and environmentally close the Dededo Residential Transfer Station.

The extremely slow process with which the Government of Guam (GovGuam) addresses procurement protests continued to unnecessarily delay the acquisition of vehicles that are critical to GSWA operations. Subsequent to the reporting period, the Receiver has moved forward with a new procurement invoking the authority given to the Receiver in the Order of this Court that appointed the Receiver “to depart from Guam Law when, compliance would unreasonably delay the progress in meeting the mandates of the Consent Decree.” It was under this authority that the Receiver successfully bid the equipment needed to retrofit the trucks already owned by GSWA.

Work associated with the liquidated damages assessed against MPC also continued during the reporting period. MPC has now exhausted all administrative appeals and the matter is currently before the Superior Court of Guam. A trial date has been scheduled for June 14, 2017.

The procurement of an operator for the Ordot Dump during the post-closure period can now proceed along with developing plans for procurement of the trustee services required by the financing plan adopted by the District Court. However, other more time sensitive procurements must be completed before we can turn our full attention to this complex procurement. In the interim, to ensure that the

Ordot Dump is managed properly pending completion of the necessary procurement we are working with our construction manager, GHD, Inc., to provide the needed post-closure services.

Subsequent to the reporting periods covered by this Report, the Receiver, using the competitive negotiation process we described in our previous report, successfully bid the work for both upgrade the Agat and Malojloj Residential Transfer Stations and environmentally close the Dededo Residential Transfer Station. Two qualified companies submitted bids. After a careful review, the contract for this work was awarded to Core Tech International.

More routine procurement activity included the extension of current contracts to maintain GSWA vehicles on a month to month basis until the new procurement process can be completed. These contracts are vital to GSWA's operations but due to the time required to address the other pending procurement issues, the Receiver invoked the authority of the appointment order to extend them pending a new procurement process.

The status of the Receiver's primary contracts, including the amounts spent as of June 30, 2016, is summarized on Tab 4. Individual payments occurring during the reporting period for these contracts is included in Tab 5. 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 tables; however, all payments occurring during the reporting period for these items are included elsewhere in this Report.

Tab 6 provides the Court with a list of approved change orders, as of June 30, 2016, for the open Consent Decree construction contracts referenced above (neither Black Construction nor Hawaiian Rock Products had any new change orders during the reporting period).

5. Financial Issues and Capital Funding (April 2016 – June 2016)

Overview

In this section we will provide an analysis of the operating finances of GSWA during the period April 1, 2016 to June 30, 2016. We will also provide updates on the status of capital funding for Consent Decree-related capital projects, and the reserves of GSWA, as well as other related issues.

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

- GSWA operating results for the period April 1, 2016 through June 30, 2016;
- 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 Dump Property;
- Compensation to Former Landowners of Layon Landfill Property;
- Reserves of GSWA; and
- Waste disposed at the Layon Landfill.

GSWA Operating Results from April 1, 2016, to June 30, 2016

Table 3 provides the Court with a summary of expenditures and revenue for the reporting period, compared with the approved budget for FY 2016. A more detailed report of expenditures and revenue compared with the approved FY 2016 budget are provided in Tab 7 of this Report.

Expenses during the period were below budget for personnel and somewhat ahead of budget for other expenditures. However, as we must continue to point out, the timing with which the DOA actually posts expenditures and adjusts for the accrual of FY2016 expenses has much to do with these numbers and we expect the final numbers for FY2016 will be closer to the budgeted amounts. Revenue exceeded the approved budget estimate for the budget to date by more than 5 percent.

Table 3 – GSWA Summary of Operating Budget for the Period Ending June 30, 2016

Guam Solid Waste Authority				
Summary of Operating Budget				
FY 2016				
As of June 30, 2016				
(Unaudited)				
Item	Total Annual Budget	Budget to Date	Actual Spending / Revenue to Date	% over (under) Budget
Personnel Expenses	\$3,000,000	\$2,250,000	\$2,141,906	-4.8%
Other Expenses / Reserves	\$15,365,597	\$11,524,198	\$11,695,609	1.5%
Total Expenses / Reserves	\$18,365,597	\$13,774,198	\$13,837,515	0.5%
Total Revenue (All Sources)	\$17,845,681	\$13,384,261	\$14,099,007	5.3%
Budgeted From Fund Balance	\$519,916	\$389,937	\$0	-100.0%
Total Funding Available	\$18,365,597	\$13,774,198	\$14,099,007	N/A

Cash collections of the amounts billed by GSWA for the fiscal year through June 30, 2016 are shown in Table 4.

Table 4 – GSWA Revenue Billed/Collected

GSWA Revenue Billed / Collected			
October 1, 2015 through June 30, 2016			
Customer Class	Billed	Collected	%
Commercial	\$ 7,670,044	\$ 8,041,698	104.8%
Residential	\$ 4,972,404	\$ 5,150,481	103.6%
Government	\$ 1,222,351	\$ 1,333,233	109.1%
Total	\$ 13,864,799	\$ 14,525,413	104.8%

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 this quarter exceeded billing for these accounts by 4.8 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 3.1 percent.

Cash collections from Government of Guam agencies was strong due to payments from GWA. However, when GWA is excluded cash collections from other GovGuam agencies continued to be weak. When GWA is excluded, only 58 percent of the amounts billed GovGuam agencies was paid and the cumulative unpaid balance continued to grow. We have described in past reports how this matter is addressed by the Receiver and we will elaborate further on the growing unpaid balance for GovGuam later in this Report. Tab 8 provides a listing of GovGuam agencies with their outstanding balances at the end of June 2016.

Our fund balance analysis for the period ended June 30, 2016, indicates an estimated increase for FY 2016 in fund balance of \$4.3 million. Table 5 outlines the elements of the estimate.

Table 5 – GSWA Fund Balance⁶

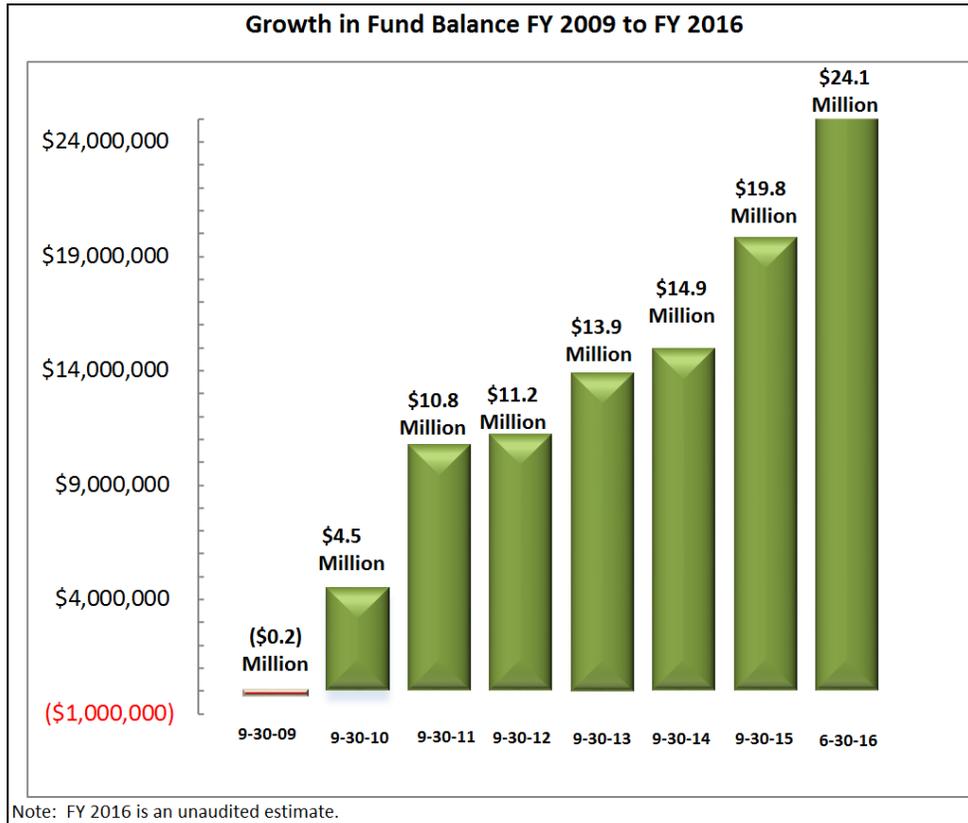
Guam Solid Waste Authority	
Fund Balance	
30-Jun-16	
Elements of Fund Balance	Amount
Actual Fund Balance @ 9/30/15	\$ 19,811,362
Revenue FY 2016	\$ 14,099,007
Expenses FY 2016	\$ 9,788,867
Excess (Deficit) FY 2016	\$ 4,310,140
Actual Fund Balance @ 9/30/16	<u>\$ 24,121,502</u>
Note: Revenue is on accrual basis.	

Fund balance continues to grow at a much faster rate since we are now accumulating funds, pursuant to the Orders of this Court, to pay for the rehabilitation of Dero Road, upgrades to the residential transfer stations, the environmental closure of the Dededo Residential Transfer Station and the post-closure care of the Ordot Dump. Figure 20 illustrates how the fund balance from operations have changed over the time GSWA has been in receivership.

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⁶ See footnote 3 of the Receiver’s Quarterly Report dated August 4, 2016.

Figure 20 – Growth in Fund Balance FY2009 to FY2016

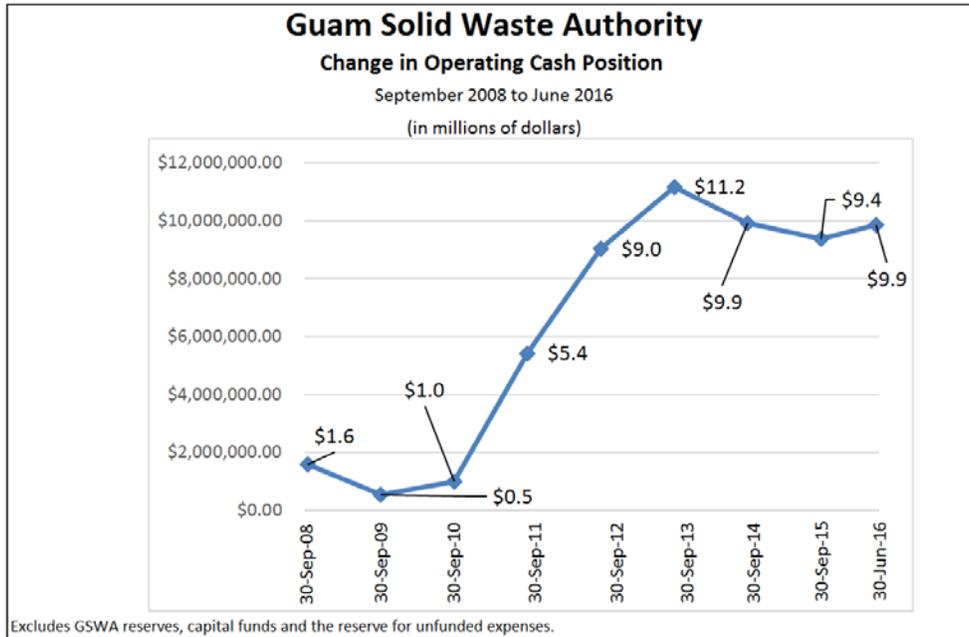


Payments for operating expenses of GSWA are made through the DOA and through the Receiver’s trust account known as the Primary Account. Payments made by the Receiver are handled pursuant to the Disbursement Procedures approved by the Court. Tab 9 provides a detailed list of the transactions affecting the Primary Account that occurred during the reporting period. Payments are also made from the Construction Subaccount (for capital expenses) and the Reserve for Unfunded Expenses (for capital expenses and certain operating expenses for the Ordot Dump). These payments will be addressed later in this Report.

Cash Position of GSWA

Operating cash position has remained relatively stable during FY 2016 fluctuating near \$9.9 million. GSWA’s reserves, including the reserve for unfunded projects, are not included in GSWA’s operating cash position since these funds are not available to pay routine operating expenses. Figure 21 outlines GSWA’s cash position at the end of each fiscal year since the Receivership began.

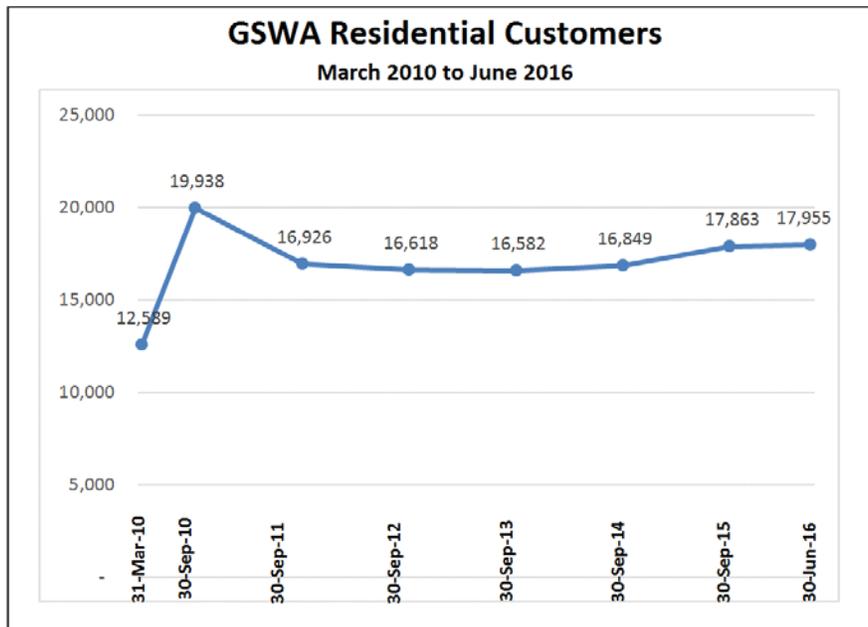
Figure 21 – Change in GSWA Cash Position (Million \$)



Status of Residential Customers

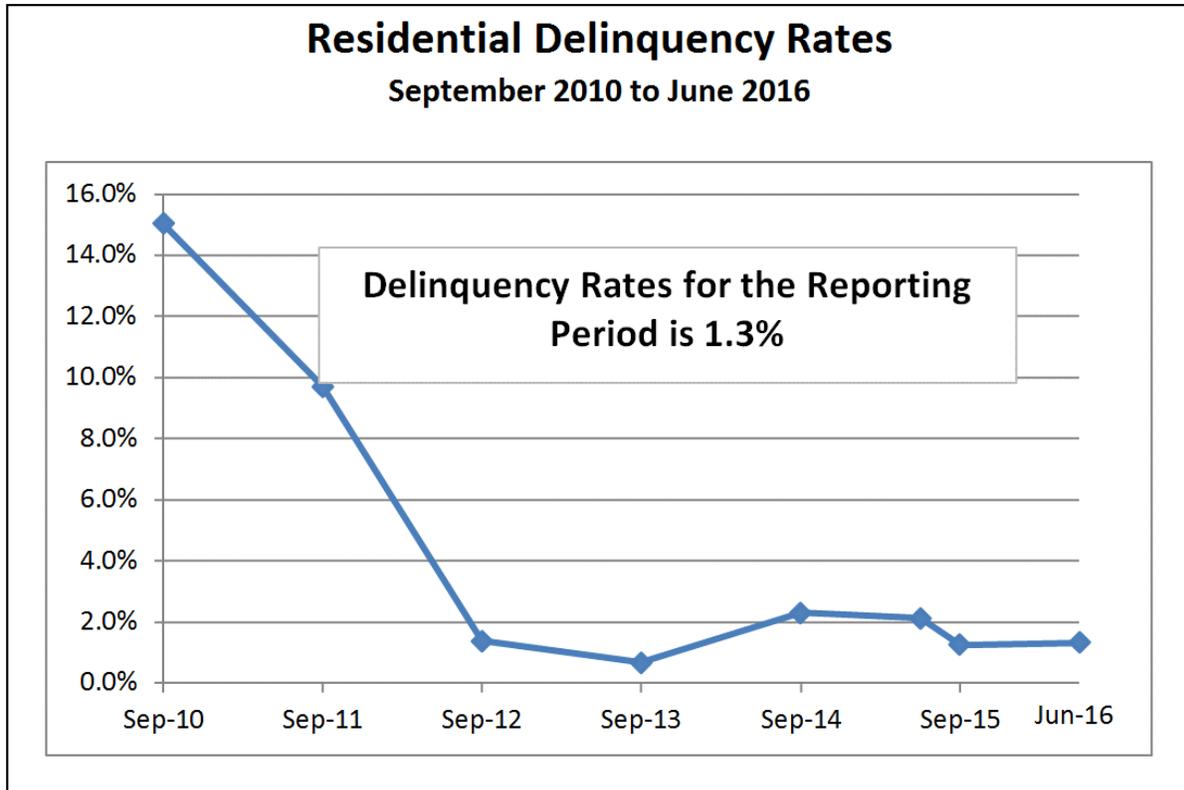
The number of curbside residential customers continued to increase during the reporting periods. On June 30, 2016, the number of residential customers was 17,955. Figure 22 illustrates the very stable base of GSWA residential customers and its steady growth under the management of the Receiver.

Figure 22 – GSWA Residential Customers



Residential delinquency rates remained very low during the reporting period. Figure 23 shows the trend in residential delinquency rates from September 2010 to June 2016.

Figure 23 – Residential Delinquency Rates



GSWA's customer service staff has performed excellent work to meet the needs of all GSWA customers while producing very low delinquency rates

Online payments and account management by residential customers continued to grow as illustrated in Figure 24. The number of customers registering for online services increased to 10,204, an increase of 14.5 percent for the current fiscal year as of June 30, 2016. Almost 58 percent of GSWA residential customers access their accounts online.

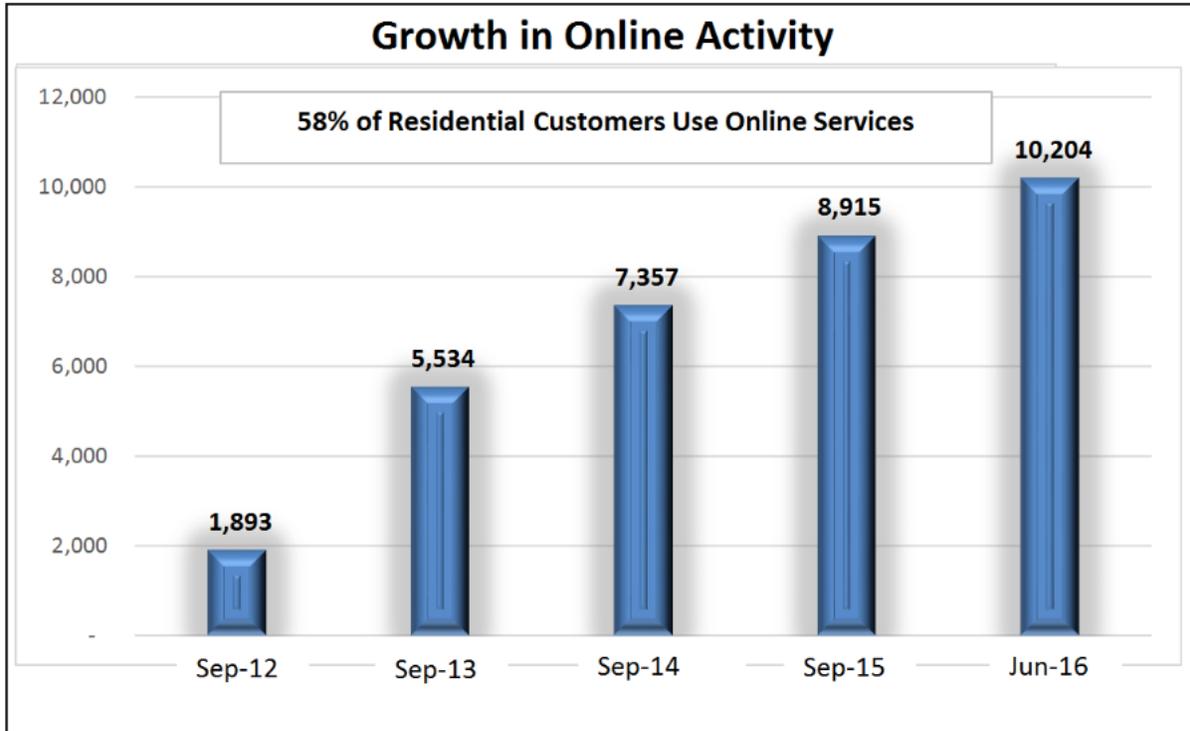


Figure 24 – Growth in Online Activity

Online access to residential accounts is provided to GSWA customers via a combination of services provided by PayPal and BMS Technologies, working in conjunction with Alpine Technology, provider of GSWA’s customer service technology. Working together, these companies provide a very cost effective means to provide online services.

When the Receiver first began studying how such services could best be provided to GSWA, we received initial quotes near \$100,000 just for the initial set-up of a system that would work with the Alpine customer service system. The PayPal/BMS model was selected after further research. The set-up expense to GSWA of the PayPal/BMS technology was zero.⁷

⁷ As noted above, PayPal and BMS work in conjunction with GSWA’s customer service system which is provided by Alpine Technology. As the Court may recall, the Alpine customer service system was acquired as a part of the Receiver’s work to replace a GovGuam system that was old, unreliable and resulted in a complete loss of control over the residential customer’s accounts prior to the Receivership. The initial cost of this system was approximately \$215,000 and GSWA has a continuing relationship with Alpine to maintain and host the system. The average monthly cost for the Alpine System is about \$2,800.

Figure 25 – Customer Use of Paperless Billing

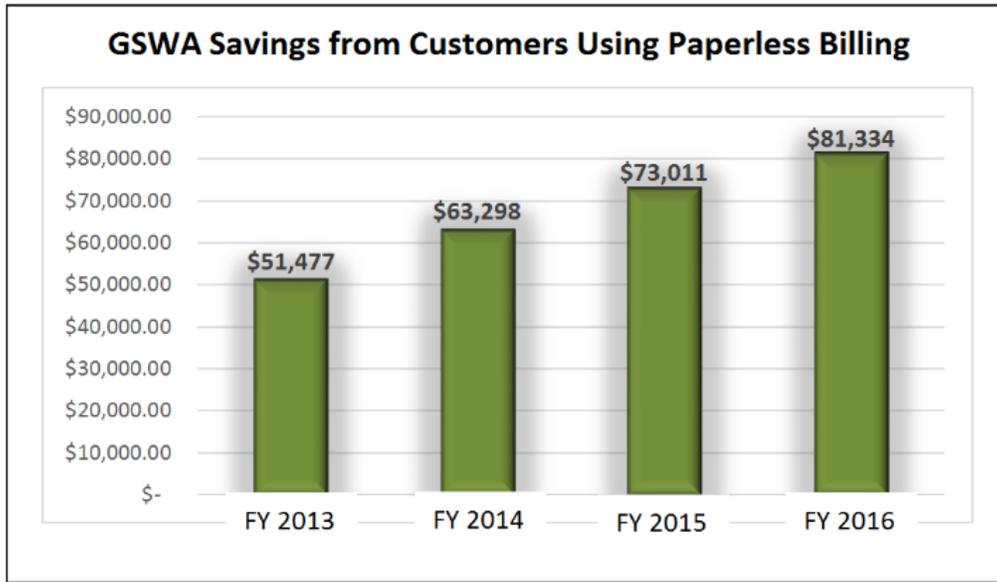


Figure 25 (above) shows the savings GSWA achieves on an annual basis from the growing number of customers using paperless billing. When customers make this choice, GSWA does not incur the cost it would otherwise incur to print, handle and mail a bill. These savings more than offset the cost per month GSWA incurs for the services BMS and Alpine provide to GSWA and more than 40 percent of the cost of credit card processing fees.⁸ With continuing growth in the use of paperless billing, savings will continue to increase.

Status of Large Commercial Accounts

While much attention is understandably on the services GSWA provides to its residential customers, large commercial haulers are the source of most of the waste managed by GSWA and consequently, these customers also produce most of the system's revenue. This is not unusual in that most solid waste systems are similarly structured with their commercial customers providing more waste and revenue than residential customers.

All the major commercial accounts were in good standing during the reporting period⁹ with the exception of Lagu Sanitation. While Lagu was still in debt to GSWA during the reporting period

⁸ Credit card fees are incurred under any system that allows its customers to pay by credit card. These fees usually range between 2 and 3 percent.

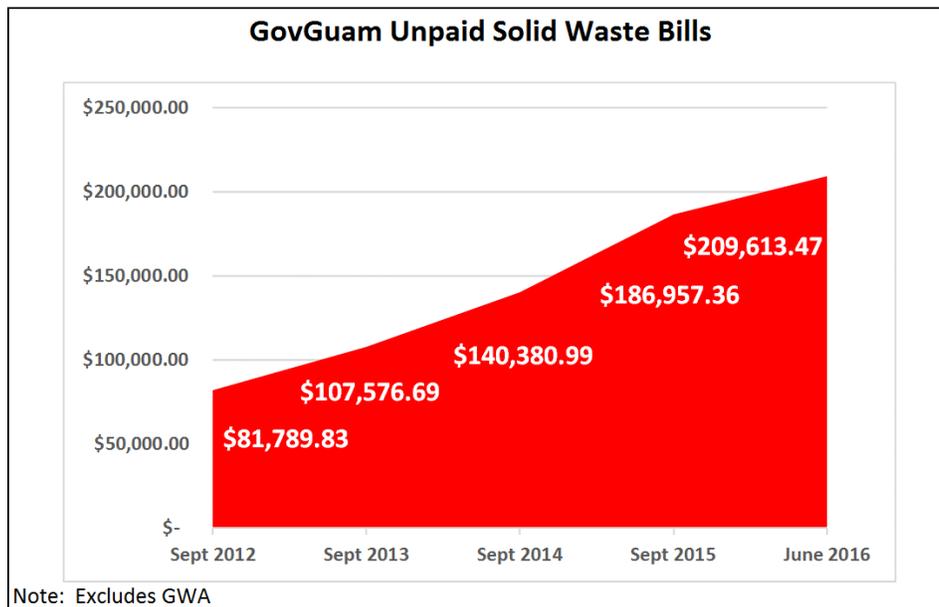
⁹ Subsequent to the period covered by this Report, two commercial haulers have fallen behind in their payments and become delinquent. We remain hopeful that both will address this situation without the need for GSWA to take further action.

covered by this Report, Lagu has since paid off all of its debt to GSWA and, as of October 1, 2016, is in compliance and its account is in good standing.

Status of GWA and Government Accounts

GWA remains in good standing, but most other direct GovGuam accounts remain in arrears. The unpaid balance in these other accounts has grown consistently for years. Figure 26 illustrates this unfortunate trend.

Figure 26 – GovGuam Unpaid Solid Waste Bills



As has been noted in prior reports, the Receiver protects GSWA from these unpaid bills through its annual settlement process between the General Fund and GSWA. While this approach protects GSWA, the failure of these agencies to pay their bills is damaging to GovGuam’s overall finances. The Receiver has offered to assist DOA in addressing this problem. However, GovGuam has not indicated any interest in addressing the issue. We continue to offer assistance in this matter.

Status of the Construction Subaccount

Payments from the Construction Subaccount were \$816,516.49 during the period ending June 30, 2016. Interest earnings were added to the account in the amount of \$748.51. In addition, \$258,000 was transferred to the Construction Subaccount from the Equipment Replacement to fund the purchase of capital equipment. The balance in the construction subaccount on June 30, 2016 was \$2,182,476.39. Tab 10 provides a detailed listing of all transactions affecting the account during the period ending June 30, 2016.

Table 6 provides the Court with an accounting of the retainage held for contractors that is paid from the Construction Subaccount.

Table 6 – Retainage on Trustee Account Payments

Retainage on Trustee Account Payments		
As of 6/30/2016		
Company	Description	Amount
EA Science and Technology	Retainage	\$ 8,462.16
GHD (formerly Winzler & Kelly)	Retainage	\$ 35,364.66
	Total Retainage Held.....	\$ 43,826.82

When the retainage obligations are considered, on June 30, 2016, the Construction Subaccount had a balance of \$2,138,649.57 available for future Consent Decree obligations.

Host Community Premium Surcharge Fees

During the reporting period, April 1, 2016, through June 30, 2016, GSWA assessed Host Community Premium Surcharge (HCPS) fees totaling \$83,272.70, bringing the total assessed HCPS fees during FY2016 to \$255,126.67. Due to the lag time allowed by Guam Law between billing and payment, HCPS fees collected during the period were \$62,759.56. These funds were distributed in equal amounts to the Villages of Inarajan and Ordot-Chalan Pago. A copy of the report filed with the Public Utilities Commission (PUC) for this period is attached as Tab 11.

Capital Funding

Table 7 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, 2016. This table is also provided as Tab 12 with larger type for the reader’s convenience.

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Table 7 – Allocation of Capital Available to the Receiver

Allocation of Capital Available to the Receiver					
Consent Decree Projects					
As of June 30, 2016					
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	\$ 28,462,507	\$ (4,481,106.90)	\$ 28,462,506.90	\$ -
Construction Management - Layon and Associated Projects ¹	\$ 7,316,400.00	\$ 10,560,000	\$ (3,243,600.00)	\$ 9,855,662.94	\$ 704,337.06
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)	\$ 8,205,967.89	\$ 123,087.11
Ordot Dump Closure	\$ 30,590,300.00	\$ 43,231,147	\$ (12,640,846.68)	\$ 43,231,146.68	\$ -
Ordot Dump Closure - Land Acquisition	\$ -	\$ 1,700,000	\$ (1,700,000.00)	\$ 1,550,052.50	\$ 149,947.50
Construction Management - Ordot Dump and Subsequent Projects ³	\$ 2,721,800.00	\$ 11,612,348	\$ (8,890,547.89)	\$ 11,256,992.21	\$ 355,355.68
Ordot Contingency ⁴	\$ -	\$ 9,180	\$ (9,180.15)	\$ -	\$ 9,180.15
Litigation Assistance	\$ -	\$ 283,250	\$ (283,249.61)	\$ 283,249.61	\$ -
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	\$ -
Route 4 Safety Enhancements (project terminated) ⁵	\$ -	\$ 218,974	\$ (218,973.65)	\$ 218,973.65	\$ -
Dero Road Rehabilitation (funded pursuant to Order of 5-2-2016) ⁵	\$ 8,200,000.00	\$ 2,400,000	\$ 5,800,000.00	\$ -	\$ 2,400,000.00
Residential Transfer Station Upgrades & Dededo Closure (funded pursuant to Order of 5-2-2016) ⁵	\$ 5,032,900	\$ 5,032,900	\$ -	\$ 350,953.69	\$ 4,681,946.31
Total	\$ 172,975,100.00	\$ 166,158,175.08	\$ 6,816,924.92	\$ 152,113,797.08	\$ 14,044,378.00
<p>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.</p> <p>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.</p> <p>³Subsequent projects will require additional capital funding. See note 5 below.</p> <p>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 27 for the allocation of the contingency as of 3/31/2016.</p> <p>⁵These projects and the construction management expense for them will be funded from the Reserve for Unfunded Expenses pursuant to the Court's Orders of 9/12/14, 4/20/15, 5/1/15 and 5/2/16.</p>					

The Table 7 above includes both the capital projects funded by the 2009 Section 30 Bond Issue and the projects funded through the Reserve for Unfunded Expenses¹⁰. The table above does not include actual expenditures from the Reserve for Unfunded Expenses because expenditures on the projects funded by this source of funding did not begin until after the reporting period covered by this Report. Expenditures from the Reserve for Unfunded Expense in this period were limited to utility expenses for the Ordot Dump. All transactions affecting the reserve during the reporting period are detailed in Tab 13.

Compensation to Former Landowners of Ordot Property

The issue of the size of Lot 3434 remains before the Superior Court of Guam. As we stated in our previous Report, a new survey, commissioned by the Receiver, has been submitted to the proper authorities and the Superior Court of Guam has been asked to determine what portion, if any, of the property is already owned by GovGuam and the portion, if any, that was owned by the private parties to the litigation. After the Court makes this determination, any compensation owed to the former private owners can be paid and this matter will be closed.

With respect to Lot 450, and as we have previously reported, the former owners have commissioned an appraisal by Captain & Associates. The Captain Appraisal determined the value of the property to be \$1.9 million. The previous appraisal submitted by the Receiver to the Superior Court of Guam¹¹ established its value at \$308,000, as of November 13, 2013. This amount was deposited with the Clerk of the Court as required by Guam Law. We have now updated the valuation to account for the time that has passed since the original appraisal and the recovery of the commercial real estate market in Guam. The updated valuation as of July 13, 2015¹², is \$460,800.

Subsequent to the reporting period, we have also obtained an appraisal for the private easement needed for the stormwater improvements on Dero Road. We are currently in discussions with the owners of this property to complete the land transaction needed to formally dedicate the easement. We have now secured an agreement with the owners that has allowed the construction work to proceed while the final easement is completed.

¹⁰ In its Order of May 2, 2016, the Court adopted the financing plan recommended by the Receiver in its Quarterly Report dated October 21, 2015. Under this financing plan the Reserve for Unfunded Expenses receives a monthly amount of \$374,758.08 to fund the rehabilitation of Dero Road, upgrades to the residential transfer stations, the environmental closure of the Dededo Residential Transfer Station and the post-closure care of the Ordot Dump.

¹¹ Compass Real Estate Consulting was selected by the Office of the Attorney General of Guam to provide appraisal services to the Receiver.

¹² This is the official date of taking. The delay between the date of the original appraisal and the actual date of taking was caused by the Governor of Guam's decision to remove the Office of the Attorney General of Guam

Compensation to Former Landowners of Layon Landfill Property

The principal method of compensating to the former owners of the land upon which the Layon Landfill is located has been tax credits. The Governor’s Office continues to maintain that it cannot disclose information about specific compensation paid to each former landowner, a position with which we continue to disagree.

Our most recent previous Report on this matter showed the results as of May 20, 2016. This Report shows results as of September 30, 2016. During the period of time between these two reports, tax credits were claimed in the amount of \$418,860 but instead of the balance owed to the former owners going down it actually went up by \$115,033. This is due to the high interest rate paid on the unpaid balance of the judgement.

Using the information provided by the Governor’s Legal Counsel, we can state that the total liability has increased to \$34,566,234¹³. Table 8 provides an update of the total amount the land has cost the Government of Guam and the tax credits actually redeemed by the former owners as of May 20, 2016.

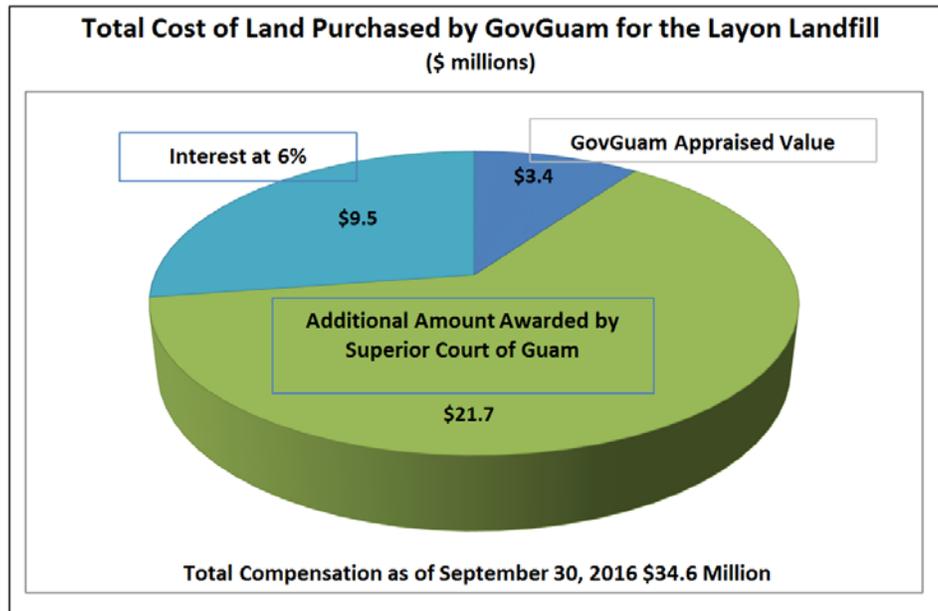
Table 8 – Total Liability and Unpaid Balance

LAYON LANDFILL CONDEMNATION PAYMENTS	
As of September 30, 2016	
Original GovGuam Appraised Value	\$3,410,000
Additional Compensation per Judgment (CV0084-08)	\$21,705,683
6% Interest from 01/24/2008	\$9,450,551
Total Liability	\$34,566,234
Tax credits paid	(\$26,114,586)
Cash paid from Federal Compact/Impact Funds	(\$3,410,000)
Balance of Unpaid Judgment	\$5,041,648
<small>Minor differences between this table and the table allocating payments to specific former owners is due to rounding. There is also a \$20,000 difference in the appraisal report provided to the Receiver and the amount the Superior Court of Guam indicates the Government of Guam had already deposited with the Court for this land. We accept the Court's determination of the amount deposited since some of this occurred before the Receivership.</small>	

Figure 27 illustrates the elements of the total cost of the land. The land’s total cost was artificially high by any reasonable method of valuation and it is made even more expensive by the artificially high interest rate paid to the former landowners.

¹³ See Tab 14 for a copy of the information from the Governor’s Legal Counsel.

Figure 27 – Total Cost of Land Purchased by GovGuam for the Layon Landfill



In past reports, we have estimated the likely payments to each former landowner. However, given that the changes now seen in the numbers are incremental, such an estimate is of little value. We can say with confidence that a little more than 85 percent of the total liability as of September 30, 2016, has been paid.

We can also say, based on information from the Office of the Attorney General provided through the Governor’s Legal Counsel, that the following former owners have been paid in full:

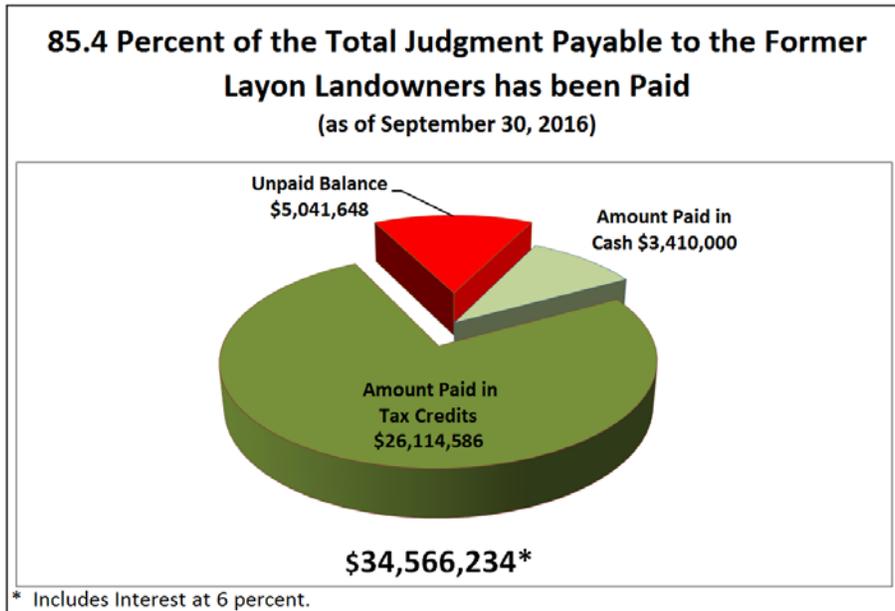
- Calvo’s Insurance Underwriters, Inc.;
- Lee and Joan Holmes;
- Douglas F. Cushnie;
- Joaquin C. Arriola; and
- Young Chull Kim.

Given this information, the remaining balance of \$5,041,468 as of September 30, 2016 is owed to:

- Oxford Properties & Finance, Ltd.;
- Valencia Investments Corporation;
- Jones and Guerrero Company, Inc.;
- Alfred and Diana Ysrael.

Figure 28 illustrates the total cost of the land, payments that have been made and the total remaining unpaid balance.

Figure 28 – Total Cost and Amounts Paid to Date for Layon Landfill Land



Reserves of the GSWA

Table 9 outlines the status of the reserves of GSWA on June 30, 2016. These reserves are for the purpose of setting funds aside to pay for the future needs of Guam’s solid waste system. These reserves are maintained in separate bank accounts at the Bank of Guam. Tab 15 provides the Court with all transactions affecting each of these accounts from April 1, 2016 to June 30, 2016.

Table 9 – Reserves of the Guam Solid Waste Authority

Reserves of the Guam Solid Waste Authority	
As of 6/30/2016	
Reserves	Total
Equipment Replacement Reserve	\$ 2,817,240.78
New Cell Development Reserve	\$ 230,684.62
Cell Closure Reserve	\$ 230,684.62
Post-Closure Care Reserve Layon Landfill	\$ 461,368.85
Total Reserves.....	\$ 3,739,978.87

Waste Disposed at the Layon Landfill

The waste disposed at the Layon Landfill increased by 3.2 percent during the nine months of FY 2016 ending June 30, 2016. Table 10 shows total waste disposed by customer type during the first nine months of FY 2016, compared to the same period one year earlier.

Table 10 – Total Waste (Tons) Disposed by GSWA

Change in Waste (Tons) Disposed by GSWA			
By Customer Group			
Comparing October to June FY2016 with October to June FY2015			
Customer	FY 2015	FY 2016	% Change
Residential	14,912	15,084	1.2%
Commercial	40,111	41,502	3.5%
Military	5,875	5,855	-0.3%
Government	5,717	6,933	21.3%
Mayors	1,307	1,426	9.2%
Transfer Stations	3,795	3,232	-14.8%
Other	94	93	-0.9%
Total	71,810	74,125	3.2%

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

Residential and commercial customers increased at a moderate rate during the period and government customers, driven by GWA and Guam’s mayors, increased significantly during the period. The Military declined slightly during this period. Residential transfer stations, however, declined nearly 15 percent during this time; a change that is directly attributable to the decision by Governor Calvo to close the Dededo Residential Transfer Station.

Overall the tonnage disposed during this period increased 3.2 percent. As we noted in our Report dated August 4, 2016, the assumed growth upon which it is projected that Cells 1 and 2 would reach capacity in late August 2021, is 2.3 percent. Should the growth rate continue to exceed 2.3 percent, as has been the case in recent months, the capacity of Cells 1 and 2 will be reached sooner¹⁴. It is imperative that this continue to be monitored carefully to ensure that additional landfill capacity is available when Cells 1 and 2 are exhausted.

6. Next Steps

Ordot Dump Closure

- Continue interim operations, maintenance and monitoring until Post Closure Operator is on board.
- Obtain acceptance by USEPA of the Construction Certification Report.
- Continue to facilitate GEPA and USEPA regarding Post Closure Care Plan review.
- Continue development of the Ordot Dump Post Closure Care procurement documents.

Design and Construction Management

- Continue construction management of Dero Road improvement project.

¹⁴See pages 50-53 of the Receiver’s Quarterly Report dated August 4, 2016.

- Complete evaluation of the additional stormwater issues identified on Dero Road.

Layon Operational Support

- Provide construction management for the Surge Tank project on the GWA Inarajan sewer system serving Layon.
- Begin planning for procurement of design services for the development of new landfill cells.

Environmental Compliance and Monitoring

- Continue to conduct GEPA and USEPA bi-weekly meetings to guide and manage environmental permitting and compliance.
- Continue the environmental monitoring and compliance reporting for the Ordot Closure Facility.
- 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 2016.

Procurement and Contract Management

- Complete the procurement for the renovation of the Agat and Malojloj Residential Transfer Stations and Closure of the Dededo Residential Transfer Station.
- Complete the procurement for new equipment.
- Develop the procurement for the Trustee.
- Work with legal counsel to address remaining land issues and procurement issues.

Financial

- 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.
- 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 work with GovGuam to address deficiencies.
- Manage and fund the capital needs of GSWA and the Consent Decree in compliance with the Orders of the District Court.
- Work with legal counsel to finalize all pending issues in connection with the 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.

Transition

- Continue work with the Board of Directors to achieve a successful transition.