

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:



Gershman, Brickner & Bratton, Inc.
8550 Arlington Blvd, Suite 304
Fairfax, Virginia 22031

August 4, 2016

Printed on recycled paper

**Quarterly Report of the Receiver
August 4, 2016**

**Civil Case No. 02-00022
United States of America v Government of Guam**

Guam Solid Waste Authority

Pursuant to the Order of the District Court of Guam (Court), dated March 17, 2008, appointing Gershman, Brickner & Bratton, Inc. (GBB) as Receiver for the Solid Waste Management Division (SWMD) of the Department of Public Works (DPW) of the Government of Guam (now the Guam Solid Waste Authority [GSWA]), we are pleased to submit to the Court this Quarterly Report (“Report”); covering the fourth quarter of FY 2015 and the first two quarters 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 periods July 1, 2015 to March 31, 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 nine months covered in this Report, the work to achieve compliance with the Consent Decree has moved substantially closer to completion. The Receiver has reached a significant construction milestone completing the environmental closure construction of the Ordot Dump, transforming the uncontrolled dump into a controlled and environmentally safe facility. This will ensure that the Ordot Dump is no longer a source of future pollution as long as the facility is properly maintained as required by federal regulations. 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.

Rebounding from the series of challenging weather events during the first half of calendar year 2015, additional resources, management effort, and commitment to the schedule achieved environmental closure on time at the end December 2015. Construction completion of the closure system included:

- Startup of the gas collection and control system;
- Connection of the western half of the leachate collection system for complete interception of leachate around the entire dump;
- Complete interception and diversion of stormwater from the dump producing clean stormwater discharges from the site;
- Complete stabilization and covering of slopes; and,
- Completion of perimeter security fencing systems.

By the end of these three quarters, construction has ended at the Ordot Dump and interim post-closure operations have commenced. In addition, environmental monitoring activities have continued. These monitoring activities include: Layon groundwater, stormwater, and gas monitoring; leachate and marine water monitoring; and, gas and leachate monitoring at the Ordot Dump.

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 these customers. At the request of the Governor of Guam's office, the Dededo Residential Transfer Station was closed at the end of June 2015 resulting in somewhat lower use of the residential transfer stations as disposal facilities. GSWA customer service staff also continued to achieve excellent results for customers while achieving extraordinarily low delinquency rates.

During the reporting period, procurement activities for GSWA included the procurement of the required construction and other services to begin the rehabilitation of Dero Road, and procurements to upgrade the residential transfer stations and environmentally close the Dededo facility. In addition, continuing procurement protests also consumed much time. 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 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 periods covered by this report continued to be strong. GSWA's cash position also remained strong during the reporting periods and the fund balance is estimated by the Receiver to have increased during the reporting periods.

In this Report, we present the following updates for July 1, 2015, to March 31, 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 (July 2015 – March 2016)

As described in the previous reporting, the Ordot Dump closure construction had 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. **Both these Phases were substantially and successfully completed at the end of December 2015 with minor construction cleanup activities carrying on through January 2016.**

Phase I construction activities that were completed in this reporting period included the following:

- Completed placement of geocell and coralline limestone ballast cover;
- Completed construction of stormwater management systems;
- Completed material submittal review, procurement and logistics;
- Completed all construction quality assurance of the cover system; and,
- Completed 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 were completed in the reporting period included the following:

- Completed installation of all geo-synthetic cover layers (geocomposite, geomembrane and geocell);
- Completed installation of gas collection system;
- Completed western perimeter leachate collection system;
- Completed mass earthworks along west side slopes for perimeter roadway development;
- Completed construction of stormwater management system on south and west cover areas; and,
- Completed construction of perimeter security fencing.

Coupled with the construction work, the reporting period also included interim operational testing and monitoring of leachate collection, gas collection and control systems, and monitoring at perimeter landfill gas monitoring wells. These are key post closure construction systems operating under contractor warranty and with the oversight of the Receiver. The following sections describe the construction progress, completion, and operations coordination accomplished during the reporting period.

Closure Construction – Ordot Dump and Dero Road Sewer Improvements

Closure Construction – This period of reporting covers the wettest part of the year and into the first half of the driest. However, as the Contractor committed the additional labor resources and materials to the project required to recover from the slowed pace of the previous reporting period, the contractor made tremendous strides in work and schedule and the weather cooperated during the wet season with longer-than expected dry periods. Taking advantage of this, construction tasks of Phase I and II were completed in this period allowing for operations of the closure systems to startup and begin control of the leachate and gas pollution generated by the dump’s waste.

For the period ending March 31, 2016, punch-list construction tasks for the project were completed and final construction achieved. The following progress photos help to convey the completed work and the magnitude of the results achieved.

Progress Photos

In the first progress photo, Figure 1, work continued along the west slopes as construction of the cover system proceeded from south to north (right to left in photo) and around to the north on the north slopes. The systematic approach—cover installation followed by stormwater structures and coral gravel material placed in the geocell—progressed rapidly. Construction status ranged from the initial soil protection layer

installed over the waste (on upper slopes and top deck area of photo) in Phase II, to a completely installed cover system with infilled geocell and stormwater structures in place in Phase I and II on the south slopes (not pictured).

Figure 1 – Late June 2015 – West Slope of Dump



In the aerial photo from mid-January, Figure 2, the west slope is completed as well as the North Slope. Phase II, the entire west side has coral gravel installed in the geocell and stormwater swales and down drains are in place across the slope. At the base of the west slope stormwater pond No. 1 is complete and the relocated western channel is fully vegetated.

Figure 2 – January 2016 – Completed West and North Slopes of Phase II



Cover Installation Completed – Coinciding with the start of leachate collection from Phase II described above, the 60 mil polyethylene geomembrane cover over the entire dump was completed in November 2015. This is the primary barrier preventing stormwater infiltration and landfill gas escape from the waste. Immediately behind this work, the remaining layers of the cover were completed shortly thereafter – the final layer, the geocell, was completed and infilled with coral gravel in December 2015.

Stormwater Management Systems for Phase I and II – Concurrent with and immediately following the cover installation is the construction of the systems to manage the stormwater on the site. The conveyance channels are shown in the following photos. The stormwater is conveyed to the four constructed stormwater detention ponds, which treat the stormwater by settling suspended sediments and, allowing it to slowly enter the environment as required by applicable environmental regulations. These systems were put into service as they were completed in Phases I and II. Figure 3, Figure 4, Figure 5, and Figure 6 show more elements of the stormwater management features.

Figure 3 – Conveyance Channel to Pond No. 1



Figure 4 – Top Deck Swale to Down Chute



Figure 5 – Completed Pond 4



Figure 6 – Pond 2 Native Plantings



Additionally, Black Construction Corporation (BCC) accelerated construction of Phase II work tasks, concentrating on earthworks around ponds, perimeter roadways, and cover bench swales to direct site stormwater into the final design watershed areas. Final work in the ponds consisted of construction sediment removal to restore design grades and the planting of native vegetation in ponds with permanent pools (see Figure 6) which is part of the wetland mitigation work under the Federal Army Corps permit.

Gas Collection and Control System (GCCS) – 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 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 Ordot Closure system. This gas is mostly methane, one of the more potent greenhouse gases impacting global warming. Figure 7 shows the flare and Figure 8 shows the monitoring wells. Both of these are monitored as part of the GCCS operations and management of the gas system. The management of this system is an ongoing and continual process of monitoring the gas generated from the waste mass which 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 7 – Operation and Monitoring of Gas Flare in the Gas Collection System



Figure 8 – Operation and Monitoring of Gas Extraction Wells in the Gas Collection System



Perimeter Landfill Gas Monitoring System – Coupled with the GCCS is the perimeter landfill gas monitoring system: a network of 18 wells around the entire perimeter of the closure system. These wells are monitored 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. We are working with USEPA and GEPA to continue to monitor and take proactive steps to reduce readings to compliant levels. The closure system is designed to reduce these levels, over time, to less than 5 percent.

Perimeter Security Fencing – Completed in January 2016 and surrounding the entire closure facility, the security fencing encompasses the 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, shown in Figure 9, provides a permanent barrier for the duration of the 30-year post closure care period.

Figure 9 – Perimeter Security Fence along Dero Road



As stated in the prior report (October 2015), we expected the work would be substantially complete in mid to late December assuming no additional adverse weather events or other circumstances beyond the contractor's control. Through the considerable effort of the contractor during the remaining months of 2015, and with the support of the construction management team, on December 30, 2015, Black Construction Corporation (BCC) achieved substantial completion of the Ordot Closure Facility.

Leachate Collection and Dero Road Sewer Line – The Dero Road sewer line was completed in late January 2015 and has been operated by GWA since that time. It delivers leachate collected from the closure facility to the leachate collection tanks to be pumped to the Dero Road sewer line. Through March 31, 2016, more than 8.1 million gallons of leachate has been captured and diverted from being discharged into the environment from the east side of the dump. With the Phase II leachate collection system fully complete on the west side of the system, the sewer line now delivers all leachate from the entire Ordot Facility to the Hagatna Wastewater Treatment Plant for proper disposal.

After consulting with the Director of Public Works, it was decided to defer the full-depth pavement replacement over the sewerline until the Dero Road improvement project is undertaken. If the Receiver had completed the pavement replacement much of the work would have been lost within a few months since the pavement replacement would have been removed during the Dero Road project that is now underway. For the few months that intervened between the time the sewer line was completed and the Dero Road project began, the roadway was made safe for travel with adequate patching work. The decision to defer the full pavement replacement saved approximately \$175,000.

Dero Road Renovation Design/Permitting/Procurement – In accordance with the Court's Order of May 1, 2015, the Receiver redesigned the project to rehabilitate Dero Road to include shoulder-to-shoulder repaving and necessary stormwater mitigation. The other enhancements, such as sidewalks and bike lanes that GovGuam had required in the original design, were eliminated in the redesign in compliance with the

Court's Order. The redesign was finished and put into the construction permitting process in early September 2015.

In late October 2015, DPW indicated that the Right-of-Way (ROW) certification would be handled by DPW's program manager Parson-Brinkerhoff (PB). Concurrently the bid procurement documents for Dero Road were packaged and issued on February 3, 2016, with a pre-bid meeting held February 8th and a bid submittal date of February 29, 2016. As the building permit process dragged on for nearly three months, in early March 2016, the Receiver was informed that DPW's PB would not do the ROW certification, and therefore the DPW building permit would not be issued – four months after saying they would do it. This caused some delay while the Receiver put together the appropriate supporting survey documents to receive the ROW certification and DPW Building Permit.

Hawaiian Rock Products, Inc. (HRP) submitted the only bid. The HRP bid was carefully evaluated and found to be a responsive and responsible bid. A Notice of Award was issued March 7, 2016, with a subsequent contract executed and a Notice to Proceed issued on April 11, 2016. As of the time of this report development, HRP initiated construction and is currently on schedule with an anticipated contract completion date of October 8, 2016.

At the same time the DPW building permit process was ongoing, stormwater easements documents needed for the improvements were also being developed and adjusted depending on comments received from plan review agencies. It was determined that three easements are required; two are on property already owned by GovGuam and one is on private property. We are simply recording the easements on the property already owned by GovGuam. We are working with legal counsel to obtain the easement that is on private property. It is our hope to obtain the private easement without delaying the construction schedule.

Construction Management and Construction Quality Assurance

For the environmental closure of the Ordot Dump, the Receiver contracted the team of GHD and GLA to perform the construction management (CM) and construction quality assurance (CQA) respectively. In addition to providing the overall CM, GHD provided CQA for the Dero Road sewer, utilities, pump stations/force mains and stormwater detention ponds, and assisted GLA on earthwork CQA testing. GLA's CQA services for the closure construction elements of the project consisted of earthwork, geosynthetics works, concrete work, and capping system drainage and environmental control construction. Brown and Caldwell (BC) provided CQA and engineering services for the Western Channel Relocation that is part of the wetlands mitigation plan under the US Army Corps of Engineers Section 404 permit program Nationwide Permit 32, again assisted by GLA on earthwork CQA testing. BC also assisted in engineering modifications for the Landfill Gas (LFG) Control System work, Groundwater Monitoring Well (GW) network, and Landfill Gas Monitoring (LFGMW), with GLA performing CQA for all components of the LFG system and all monitoring (GW and LFG) of wells. The following personnel were involved:

GBB

Chris Lund, P.E. – Senior Vice President, Receiver Project Engineer

GHD

Paul K. Baron - Construction Project Manager
Mark Pachkoski - Health & Safety Manager
Jarrett Brown - Lead Construction Inspector / Environmental Compliance
Brian Keith Espiritu - RFI & Submittal Manager, Concrete / Structural Inspector, General Inspector
Steven Carbullido - RFI & Submittal Manager, General Inspector
Andre Tenorio - Concrete / Structural Inspector, General Inspector
Ramon Calilung - General Inspector
Jecelia Llegado - General Inspector
Heidi Cervania - General Inspector
Prudencio R. Balagtas & Associates - Surveyor
ARC Environmental - Wetlands / Environmental Compliance
Detry Plumbing Service - Piping Videographer
Southeastern Archeological Research Inc. - Archeological Compliance

GLA

Scott Purdy, P.G, C.E.G. – Principal and Project Manager
Bryan Fritzler, P.E. – CQA Manager
Francisco Sabugal, P.E. – Resident CQA Engineer/Officer
Jake Russell, P.E. – Engineering, Design Modifications
Wich Choomwiset, P.E. – Engineering Design/CQA Monitor
Jose Armenta – Lead CQA Monitor
William Janasak – CQA Monitor
William Wofford – CQA Monitor
Ben Dell-Era – CQA Monitor
Steven Criley – CQA Monitor
Kevin Wheat, E.I.T – CQA Monitor
Raymond Davis – CQA Monitor
Ken Criley – Lab Manager, Soils CQA Testing

GLA contracted with the following third-party laboratories to provide geosynthetic materials testing:
Geosynthetic Conformance Sampling and Testing: TRI Laboratory of Anaheim, California (Cora Queja)

BC

Jeff Pintenich, P.E. – Principal, EOR
Alan Kirschner, P.E. – Principal, Landfill Gas Design
Steve Nash – Hydrologist, Western Channel Relocation
Steve Batiste, P.E. – Senior Engineer, Landfill Gas Design and Start-Up

Contractor and Subcontractors

Black Construction Corporation (a Tudor-Perini Subsidiary) – General Contractor
Marianas Drilling – Groundwater and Landfill Gas Monitoring and Extraction Wells Subcontractor
Northwest Lining – Geosynthetics Installer Fence Masters - Fencing Subcontractor
Bill Coughlin, Western Stream Works – Western Channel Relocation Subcontractor
Gene Villaflores – Surveying Subcontractor to BCC

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 closure design. During construction the necessary observations and testing were made to verify that the construction was conducted properly. The Final Construction Management 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 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.

Interim Operations / Post Closure Care Period

Interim Operations – Interim operations began last January 2015 when the Phase I portion of the leachate collection system began collection and transmission of the leachate to the wastewater treatment plant. This was managed by the construction contractor BCC for the first 8 months, February – November 2015, with direct oversight by a certified Class II wastewater operator, until Phase II leachate collection system was connected. After that, the operations were turned over to the Receiver, ending BCC’s responsibility for the costs associated with leachate treatment. From November 2015 to the present, the Receiver has contracted with GHD/GLA to manage operations of the leachate system through the end of the construction period and into the post closure period. This has returned 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 fairly concise set of Standard Operating Procedures (SOPs) are being created for the leachate collection system, as well as other systems, to 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, leachate quality and quantity is reported quarterly to GWA as well as to GEPA and USEPA. As of this reporting, the leachate quality continues to meet 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. Leachate flows have dropped from 60,000 gallons per day to approximately 10,000 gallons per day.

During the same time the leachate system was operated by BCC, in September 2015 the gas collection and control system (GCCS) was allowed to be started and operated under an interim startup program until the Title V Air Permit for the facility was issued by GEPA. Gas collection system designers from BC and operational specialists from GLA were on hand to startup operation of the wells and monitor the flare and collection system’s initial operations. As with the leachate collection system, the interim operation of the GCCS has provided the Receiver the opportunity to address several operational issues before it is handed over to the to the post closure care operator. These include, startup, emergency shutdown, auto switchover to generator power and back, flare fluctuations, operation of the wells, and blower malfunctions. SOPs for the GCCS are also being developed and reviewed.

Gas collection quality and quantity is monitored daily and automatically at the flare. Gas extraction measurements are measured weekly to assess and balance the system as needed.

Since September, 2015, the gas collection system has been in operation, preventing more than 68.1 million cubic feet of greenhouse gases into the air in just 200 days of operation (through March 31, 2016). This volume of greenhouse gas emissions annualized over one year is equivalent to the amount of greenhouse gas produced from any one of the following:

- 6,338 passenger vehicles driven in one year,
- 3,376,295 gallons of gasoline consumed,
- 69,468 barrels of oil consumed, or
- Carbon sequestered by a forest of 28,403 acres, or one-fifth the land area of Guam.

The present rate of gas generation from the waste pile is 240 standard cubic feet per minute, below any feasible level to economically generate power, as anticipated in the design analysis and reporting.

In addition to the two main systems now in operation, SOPs are being developed for stormwater system inspections and maintenance, groundwater and gas well monitoring and maintenance, and the backup power generation system.

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 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. 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.

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, the associated gas collection system management and maintenance plans, and the SOPs will be primary documents in the procurement package.

2. Layon Landfill and Consent Decree Projects (July 2015 – March 2016)

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;
- 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 – As directed by the Court's Order dated April 20, 2015, the Receiver has developed 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.

The Receiver has consulted with GEPA and USEPA to establish the parameters for the environmental closure of the Dededo Transfer Station and has developed and submitted to USEPA the closure plan and a scope of work to be bid out for the work necessary to close this facility. This plan was submitted to the agencies on January 28, 2016 and subsequently discussed with USEPA, their contactor, and GEPA staff at a site visit to the transfer station in March 2016. This same plan was most recently included in the bid procurement package, April 26, 2016, and provided to GEPA and USEPA as well. This plan is presently under review.

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. In addition, there were environmental conditions present necessitating the cleanup of the sites before construction work could begin.

In November 2015, the design effort to combine renovation plans and environmental work of all three transfer stations in the same bid procurement package was initiated. This was done in order to expedite the schedule and save time. Both the procurement process and the DPW building permit process are underway and we hope to bring them to completion soon.

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 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 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, gas, surface water and leachate characteristics. 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.

One of the primary regulatory standards the landfill must be in compliance with is the Industrial Stormwater NPDES permit. The landfill has the required Stormwater Pollution Prevention Plan (SWPPP). Regular inspections are conducted, maintenance, best management practices and testing are followed. On March 12, 2016, representatives from USEPA Region 9’s Stormwater Enforcement Program and GEPA conducted an official SWPPP inspection of the entire facility. The findings indicated the facility is in full compliance with its SWPPP and permit.

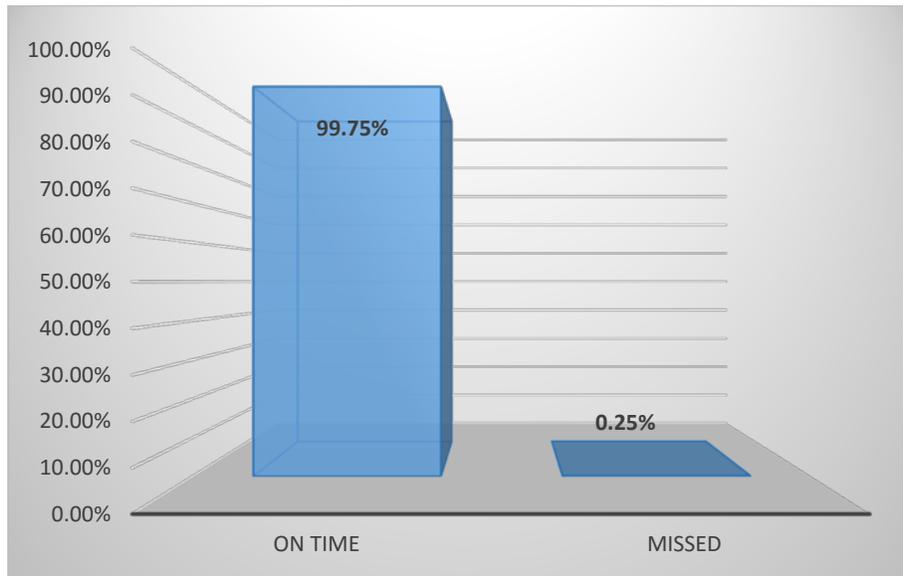
Layon Groundwater and Site Monitoring – The first semi-annual monitoring event for Operations Year No. 5 (September 2015 to August 2016) was performed in mid-November 2015. The report was submitted on time in early March 2016 to GEPA. This is one of the many permit required reporting documents that are 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 (July 2015 – March 2016)

Over the reporting periods covered by this report, GSWA crews performed 696,594 trash collections of which 99.75 percent were on time. Figure 10 illustrates the on-time collections during the reporting period.

Figure 10 – On Time Collections, July 1, 2015 – March 31, 2015



GSWA crews collected 15,210.99 tons of trash from residential customers over the nine-months covered by this report. Each GSWA customer-household generated an average of 43.67 pounds (a slight increase from the last reporting figure where the average household weight was 43.11 pounds) of trash each week or 6.24 pounds per household per day.

Cart Repairs

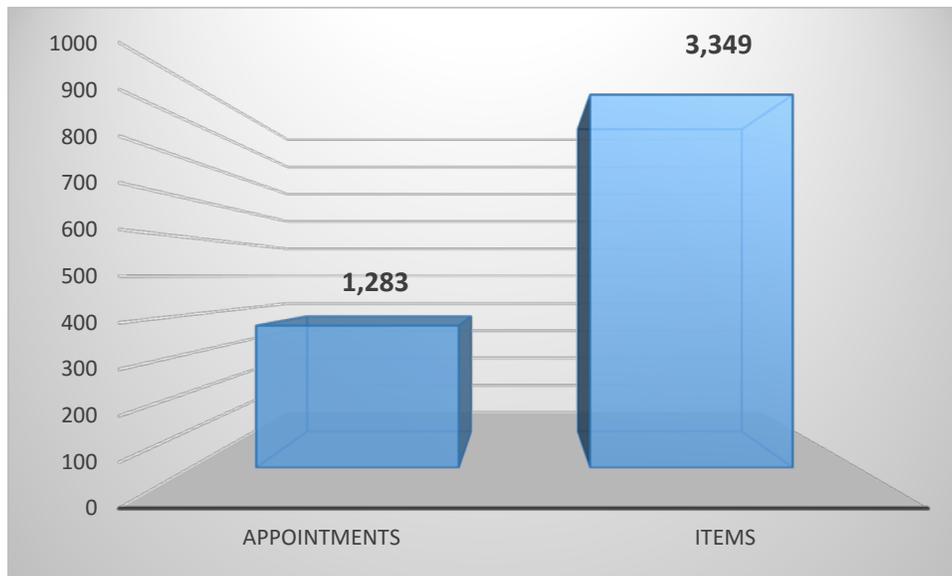
During the reporting period, GSWA had 125 damaged or broken Toter carts. This is an average of 14 carts a month that needed to be repaired. The carts are holding up well to the work demands and Guam weather.

Bulky Item Collections

The Bulky Waste program collects such items as sofas, 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.

Pickups of bulky waste are scheduled by appointment through GSWA’s customer service representatives. From the beginning of the bulky items program in October 2011 through June 2015, customers scheduled 4,121 pickups to collect 11,327 bulky items or an average of 2.75 items per pickup. For the months of this reporting period, GSWA completed 1,283 pickups collecting 3,349 items or an average of 2.61 items per collection. This increased the total pickups for the Bulky Waste program to 5,404 and the number of items collected to 14,676 or an average of 2.72 per pickup. Figure 11 shows details on number of pickups and items collected during the reporting periods.

Figure 11 – Bulky Waste Appointments and Items Collected July 2015 through March 2016

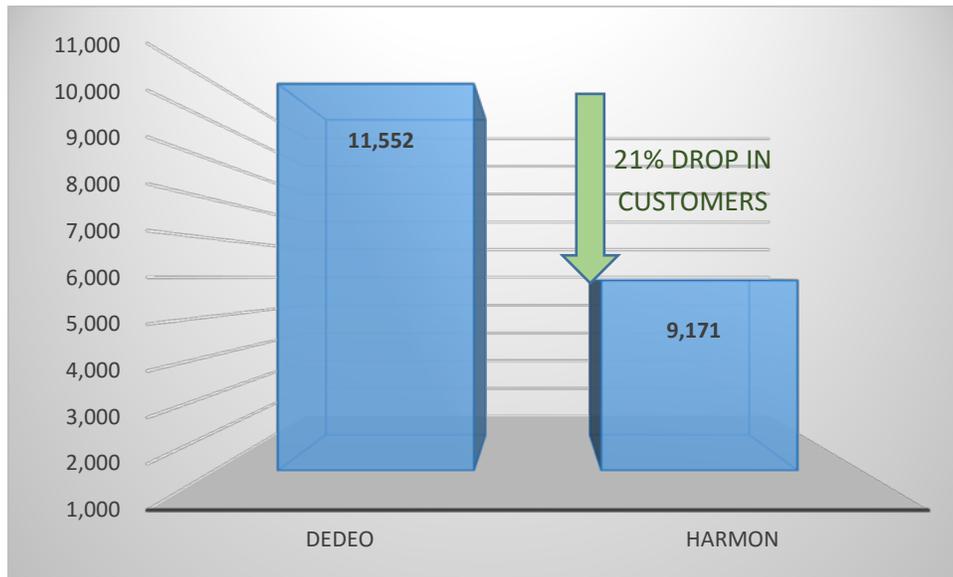


Residential Transfer Stations

This reporting period is the first without the Dededo Residential Transfer Station operating. As the Court will recall, the Governor informed the Court that his administration decided to close the Dededo Residential Transfer Station after the Harmon Residential Transfer Station was fully operational. The Receiver complied with the Governor’s decision and closed the Dededo Residential Transfer Station at the end of June 2015. To examine the effect of closing the Dededo Residential Transfer Station we compare the combined tonnage brought in to the Dededo Residential Transfer Station and the Harmon Residential Transfer Station¹ from July 2014 through March 2015 to tonnage brought into the Harmon Residential Transfer Station from July 2015 through March 2016. The drop in tonnage is about 19 percent. Similarly, the number of customers using the new Harmon facility is down almost 21 percent compared to the number of customers using the Dededo facility for the same periods one year earlier, as shown in Figure 12. We will continue to closely monitor the use of the Harmon Residential Transfer Station.

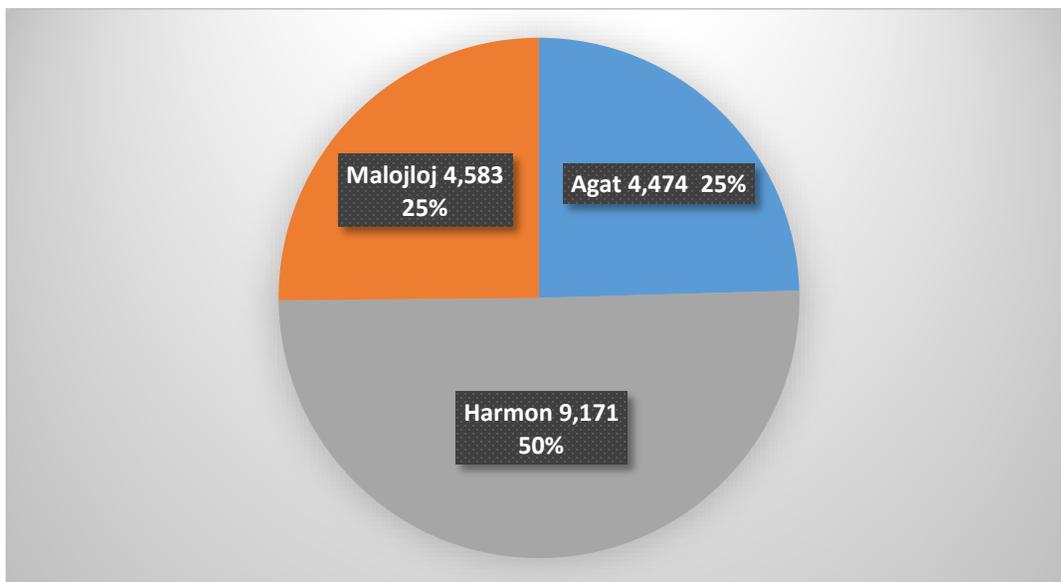
¹ The Harmon Residential Transfer Station opened in late January 2015 and had 58.26 tons of waste disposed at the facility through March 31, 2015.

Figure 12 – Decrease in Customers at Harmon Compared to the Dededo Facility



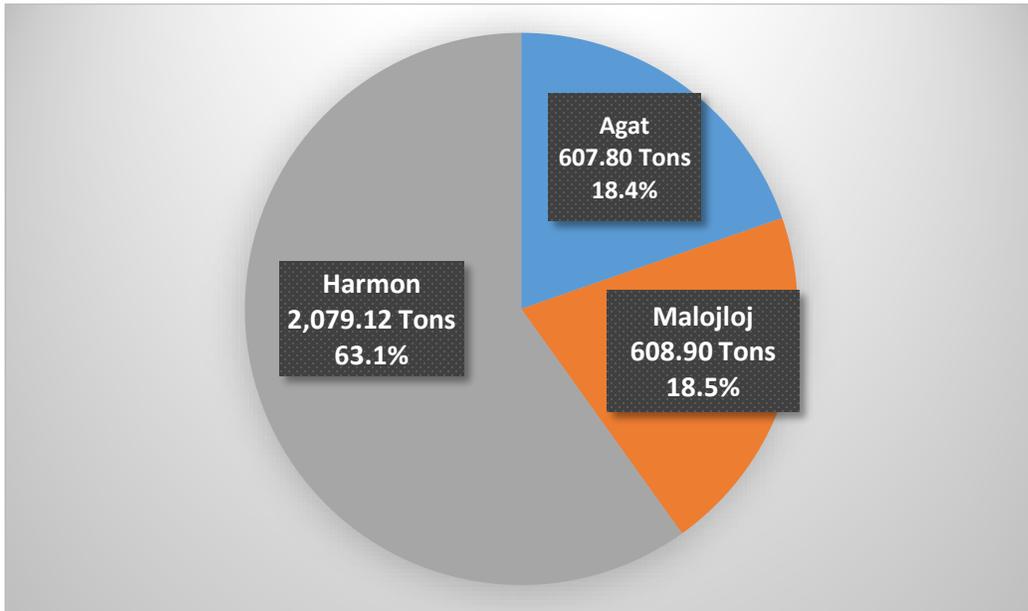
A total of 18,228 customers used GSWA’s three residential transfer stations to dispose of 3,295.82 tons of residential trash. Only residential trash is accepted at these facilities. Businesses, institutions and other organizations are not allowed to take their trash to these facilities. Figure 13 shows the number of customers who went to each of the Residential Transfer Stations during the reporting periods. The distribution of customer use of these facilities is about the same as occurred during the same months in the previous nine-month period.

Figure 13 – Customers by Residential Transfer Stations July 2015 – March 2016



During the current reporting period 18,228 customers disposed of 3,295.82 tons of trash at these three facilities. On average, customers brought an average of 361.62 pounds of trash per load to the transfer stations. Figure 14 shows the tons disposed and the percentage of the tonnage received at each of the Residential Transfer Stations during the reporting periods.

Figure 14 – Tons of Trash at Residential Transfer Stations July 2015 – March 2016



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 going to the Layon Landfill.

For the reporting months from July 2015 through March 2016, there were 14,891 scale crossings bringing in 65,457.26 tons of municipal solid waste to the Hauler-only Transfer Station. For the nine months prior (July 2014 through March 2015) to this reporting period, there were slightly more vehicles (15,085) bringing in slightly less trash (64,291.57) than in the current reporting periods. Tables 1 and 2 illustrate this comparison.

Table 1 – Hauler-only Transfer Station MSW Tons Received: Year-Over-year

	July 2014 - March 2015	July 2015 - March 2016
July	7,320.98	7,379.82
August	7,230.61	7,663.33
September	7,535.60	7,377.82
October	7,627.69	7,562.10
November	6,603.92	7,030.18
December	7,561.02	7,540.51
January	7,290.91	6,983.29
February	6,090.49	6,844.34
March	7,030.35	7,075.87
Total:	64,291.57	65,457.26

Table 2 – MSW Scale Crossings at Hauler-only Transfer Station: Year-Over-Year

	July 2014 - March 2015	July 2015 - March 2016
July	1,586	1,724
August	1,596	1,736
September	1,694	1,593
October	1,680	1,675
November	1,524	1,505
December	1,846	1,683
January	1,821	1,623
February	1,574	1,644
March	1,764	1,708
Total:	15,085	14,891

Layon Landfill

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

While nearly all of the trash that is delivered to the Hauler-only Transfer Station is loaded into tractor trailers and transported to the Layon Landfill, some nearby GSWA residential routes and deliveries from nearby mayors are directly delivered to the Layon Landfill. In addition, materials not appropriate for the Hauler-only Transfer Station (e.g. biosolids,) are also delivered directly to the Layon Landfill.

Table 3 shows the tons of trash delivered to the landfill from July 2014 through March 2015 and July 2015 through March 2016. Correspondingly, Table 4 shows the number of scale crossings for the same periods. Tonnage went up 2.42 percent during this reporting period when compared to the nine months previous and scale crossings increased by 4.83 percent during that same reporting period.

Table 3 – Tons of MSW Received at Layon Landfill – Year-Over-Year

	July 2014 - March 2015	July 2015 - March 2016
Months	MSW Tons	MSW Tons
July	7,966.64	8,132.91
August	8,357.04	8,367.15
September	8,221.09	8,149.61
October	8,327.46	8,463.00
November	7,429.43	7,762.76
December	8,567.57	8,433.14
January	8,133.86	7,425.13
February	6,651.45	7,604.81
March	7,100.13	8,127.33
Total:	70,754.67	72,465.84

Table 4 – Number of Scale Crossings at Layon Landfill

Month	July 2014-March 2015	July 2015-March 2016
JUL	281	304
AUG	287	326
SEPT	303	310
OCT	306	319
NOV	275	291
DEC	331	324
JAN	305	319
FEB	279	301
MAR	306	308
Total:	2,673	2,802

Unpleasant odors are a significant concern with any operating landfill. Biosolids are a special concern as they produce odors that can be very difficult to manage. This is especially the case when biosolids are not properly managed before being transported for disposal. GWA is the source of Guam’s biosolids and their facilities do not currently employ the best available process to manage biosolids before transport to the Layon Landfill for disposal. As a result, odors are a problem both in transporting biosolids and after they arrive at the landfill.

While there is no way to eliminate the smells associated with a landfill there are methods for mitigating them. The Receiver, working through its contractor, GGH, employs several typical practices for mitigating odors at the landfill. These include keeping the area where the waste is dumped as small as practical, covering the waste quickly, and covering the waste at the end of the work day. Odor control misters are another mitigation method used by GGH at the Layon Landfill. During the reporting periods covered in this report, there were a total of two odor complaints made to GSWA concerning the Layon Landfill.

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. Providing such a “free” service to businesses and other 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 it into its proper category, and bulk the material for disposal, reuse, or recycling.

From the HHWF’s opening day on January 23, 2015 through the end of March 2016, 2,769 customers used the facility bringing 223,058 pounds of HHW. Of the total material brought to the facility 57 percent (128,160 pounds) fell into categories such as paint, household cleaners, motor oil, aerosols, batteries, poison, etc. The remaining 43 percent (94,888 pounds) were electronic items that are recycled through Pyramid Recycling.

The number of customers who used the HHW facility during the current reporting periods numbered 1,690. Figures 15 and 16 show the number of customers and the quantities of HHW brought to the facility since the inception of the program in January 2015.

Figure 15 – Number of Customers Using the HHWF Since Opening (January 2015 - March 2016)

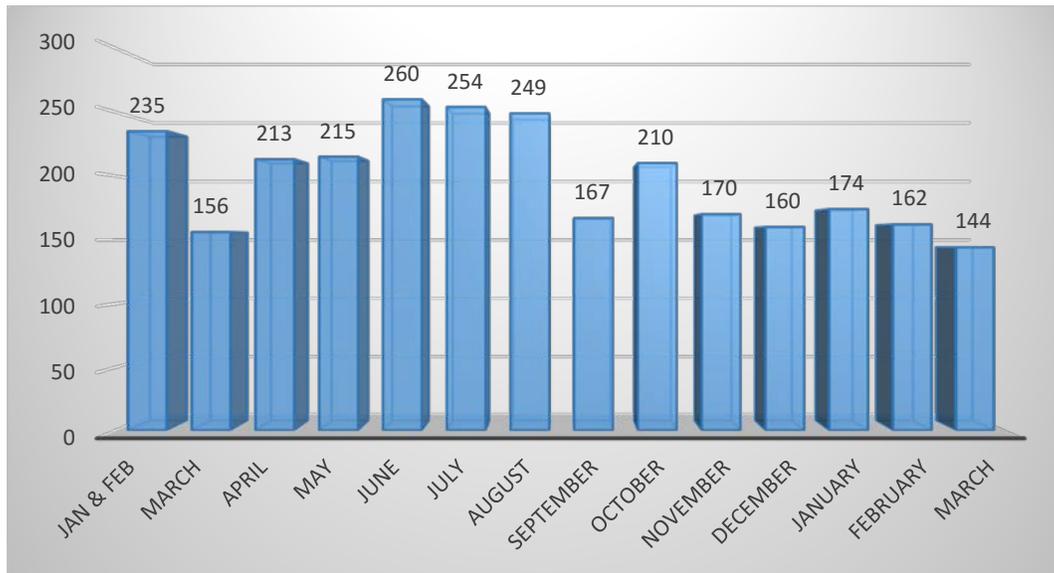
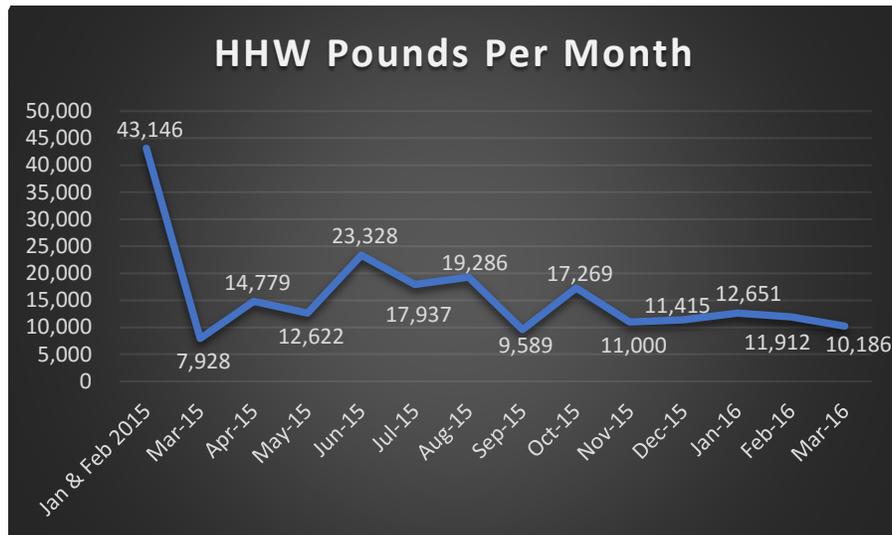


Figure 16 – Pounds of HHW Disposed at the HHWF per Month (January 2015 - March 2016)



Administration

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 department’s many phone numbers into one multi-line number used by GSWA’s customer service representatives (CSR).

One CSR begins work at 3:30 a.m. to assist with collection operations. It is this person’s responsibility to note in the customer’s file such issues as blocked roads that prevent GSWA collection trucks from collecting the customers’ trash and or recycling. The CSR also handles notice of violations, such as when contamination is found in a customer’s recycling carts. Drivers will notify the CSR, who will immediately place the information into the customer’s account and notify 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 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 6,269 walk-in customers from July 2015 through March 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.

GSWA uses the services of the Guam Telephone Authority (GTA) for its phone service. GTA provides a very useful tool to track the number of calls coming in and going out, the number of voicemails, the average

length of time a customer has to wait for a CSR and the longest amount of time a customer has to wait. From July through December 2015, these reports were available to GSWA management. Unfortunately, thus far in 2016 GSWA has not had access to these reports. GTA is aware of the problem and is trying to resolve the problem.

From July through December 2015, a total of 36,964 calls were received by customer service and a total of 36,668 outgoing calls were made by GSWA representatives. The average waiting time for a customer calling in was 17 seconds with the longest waiting time over the six months covered by these reports being 1 minute and 41 seconds.

During the reporting periods, CSRs sent 15,479 letters and made 15,341 courtesy calls to customers who were late paying their bills and in jeopardy of having their carts repossessed for lack of payment. 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 3,207 of these carts during the reporting periods. For those customers terminated, 45 percent or 1,428 of those customers paid their balance due plus a \$50 reinstatement fee to get their service restored. Since the new cart collection and billing system were put in place, the number of customers who have paid to have their service restored on two or more occasions is 292.

Personnel

On March 31, 2016, GSWA had the equivalent of 55 full time equivalent (FTE) positions. There were 26 FTE Government of Guam employees and 27 FTE workers employed by the Receiver through a contract with Pacific Human Resources, Inc. (PHRS). Additionally, 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. Since the inception of the Receivership, the number of employees has been reduced by 45 percent.

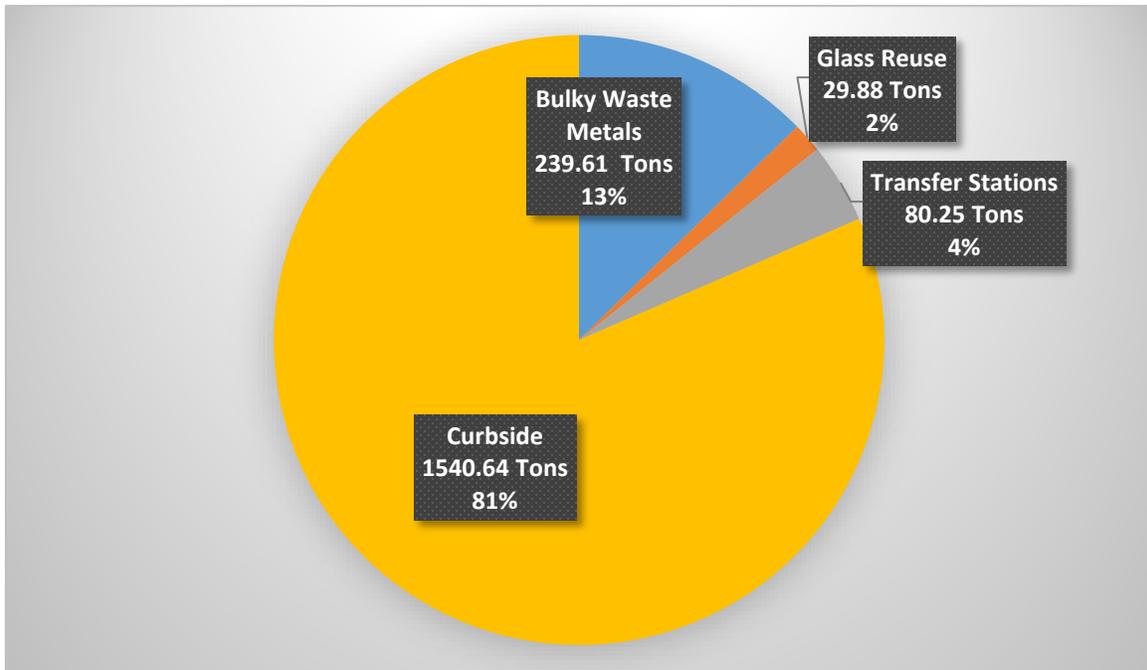
GSWA Board of Directors

During the reporting period, the GSWA Board of Directors scheduled nine Board meetings with no cancellations and all 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 nine board meetings held during this reporting period and briefed the board on GSWA activities at each meeting.

Island-wide Curbside Recycling Program

Over the reporting periods, GSWA recycled and reused 1,890.38 tons of materials that would have otherwise gone to the landfill. Figure 17 illustrates the methods used by GSWA to collect this material.

Figure 17 – GSWA Recycling and Reuse June 2015 - March 2016



GSWA's Island-wide Curbside Recycling program accounts for 1,540.64 or 81 percent of the total recycled and reused by GSWA. 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. GSWA released a bid in 2014 that included vehicles that could serve these customers but Morrico Equipment protested the specifications and that protest was upheld by the Office of Public Accountability (OPA). The Receiver appealed the OPA's decision to Superior Court on March 15, 2015 but the Superior Court has, at the time of this writing, not made a decision. We are approaching nearly two years since GSWA released the procurement for replacement trash trucks. The next hearing on this issue is scheduled for August 2, 2016.

Figure 18 shows the recycling tonnage collected in the Island-wide Curbside Recycling Program since it began. From January 2014 through March 2016 a total of 4,582.37 tons of recyclable material has been 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. Revenue for the recyclable material from July 2015 through March 2016 totaled \$6,353.04. Revenue for recyclable material has decreased as the international market for many recyclables has decreased. Demand for the material has declined due to the slowing Chinese economy and the drop in price of crude oil. With the significant drop in oil prices, recycled plastic bottles are no longer a revenue producer for the processor. In fact, the processor is paying over \$200 per ton to have plastic bottles recycled.

Figure 18 – Island-wide Curbside Recycling Tonnage January 2014 through March 2016

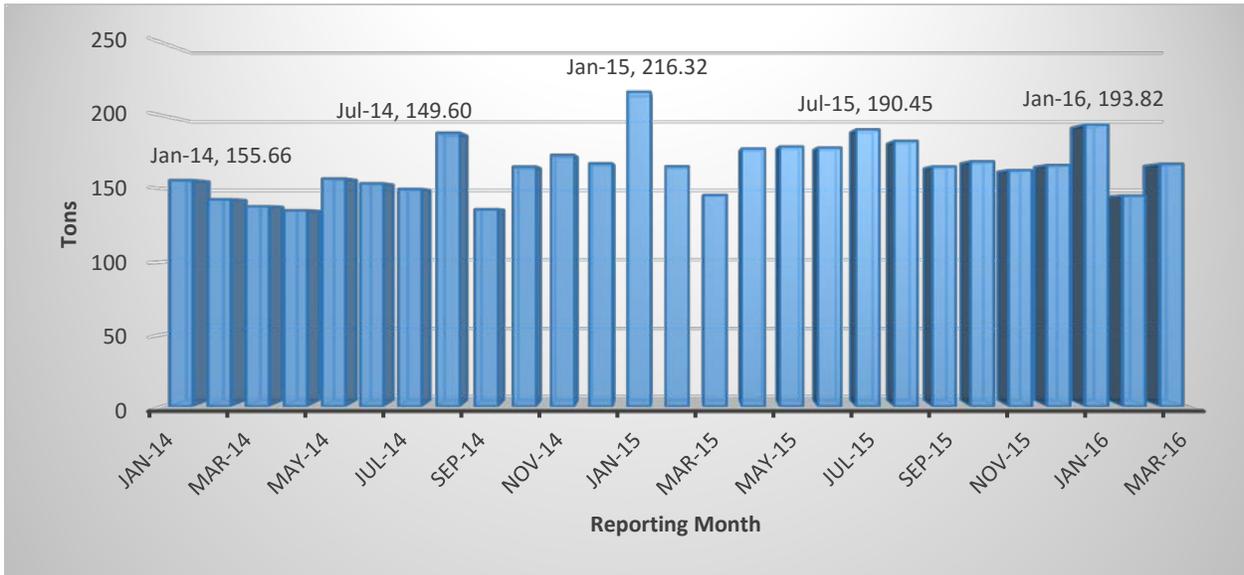
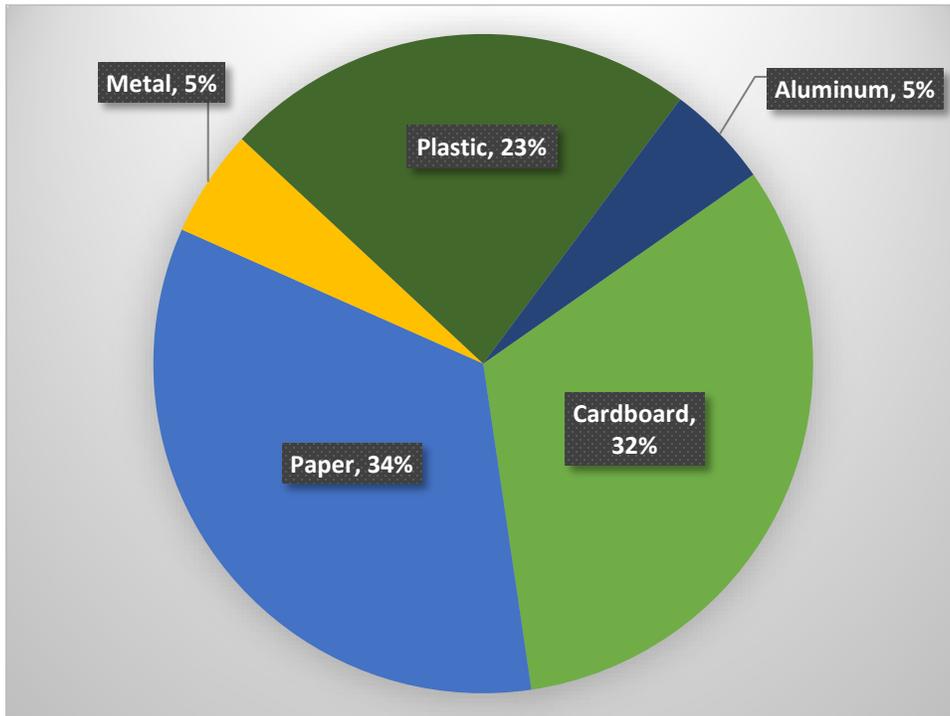


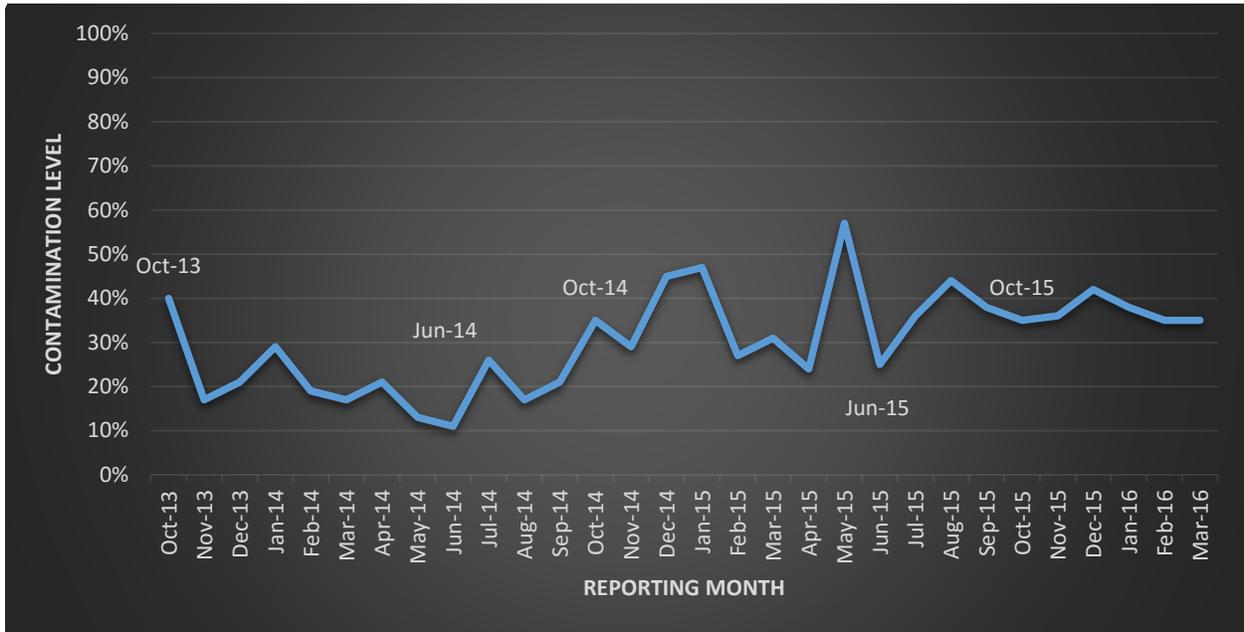
Figure 19 shows the composition of source-separated curbside recyclables during the reporting periods.

Figure 19 – Percentage Breakdown of Curbside Recyclables Collected July 2015 through March 2016



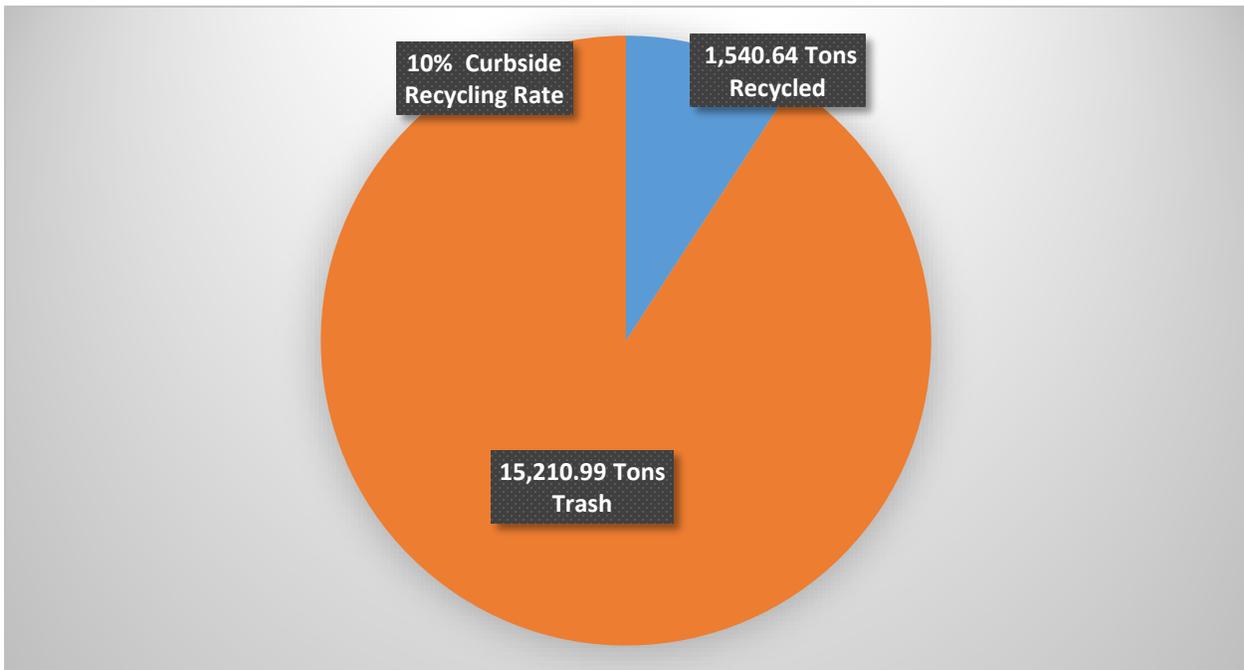
Contamination occurs when customers put trash into their recycling carts. Since GSWA began the roll out of the Island-wide Curbside Recycling program it has tracked the contamination found in the recycling carts, as shown in Figure 20. Over the life of the program, the average contamination is at 30 percent.

Figure 20 – Contamination Percentage



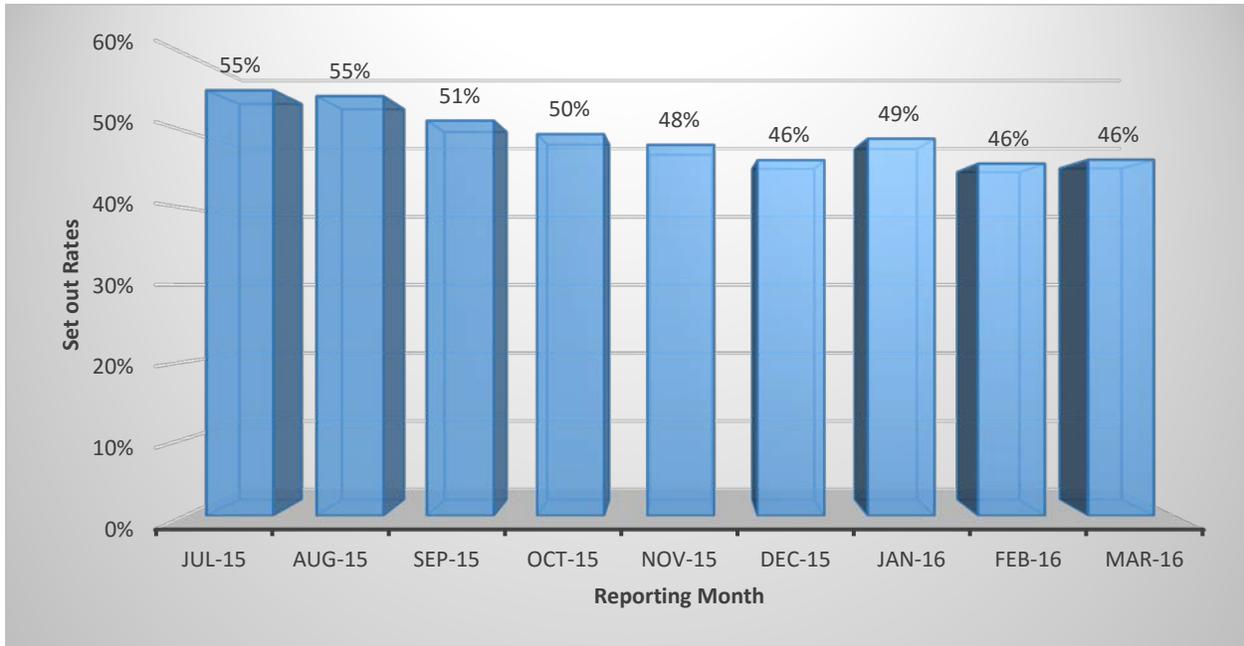
During the reporting period, residential trash customers who have both trash and recycling services disposed of 15,210.99 tons of trash and 1,540.64 tons of recycling, resulting in about 10 percent of residential trash diverted to recycling, as shown in Figure 21.

Figure 21 – Residential Curbside Recycling and Trash Tonnage, July 2015 through March 2016



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 only 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, January through June of 2015, the monthly average set out was 55 percent. Over the course of the current reporting period the average set out is 50 percent. Even though the set out rate has dropped it still remains a respectable and expected number. Figure 22 shows the Average Set Out Rates by Month.

Figure 22 – Average Set Out Rates by Month



The monthly average set out rate has dropped. Taking a look at the recycling collections by day and comparing them to the set out rates for the previous six months, as shown in Table 5, we see that the average set out rate for Monday remains the same but the remaining three collection days has decreased 6 to 7 percent.

Table 5 – Comparison of Average Recycling Set Out Rate by Collection Day

	Jan - June 2015	July 2015 - March 2016	Difference
Monday	48 percent	48 percent	0 percent
Tuesday	56 percent	50 percent	-6 percent
Wednesday	58 percent	52 percent	-6 percent
Thursday	55 percent	48 percent	-7 percent

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.

In the Receiver’s presentation to the Court on October 21, 2015, we reported that the average cost per recycled ton was \$128.76. This cost has increased to \$159.02. This increase in cost is directly related to maintenance on the collection vehicles. The average monthly cost of maintenance has increased by 82 percent from \$7,549.81 in the previous reporting period to \$13,737.29 in the current reporting period. As the Court will recall, GSWA released a procurement for replacement vehicles in 2014 that was protested by Morrico Equipment. After much time, the protest was upheld by the Office of Public Accountability (OPA). By upholding the protest, the OPA reduced GSWA’s options to purchasing trucks that in the Receiver’s experience are not as safe for GSWA crews and the public in urban collection areas. We appealed OPA’s decision to the Superior Court. In Superior Court, there have been many delays. Some of these had to do with scheduling while others had to do with things such as OPA’s failure to furnish the hearing records and OPA’s admission that it had no such records because of a technical malfunction. The increased cost of maintenance on these older vehicles is a direct result in the delay caused by this procurement protest. These costs will significantly decrease once the new vehicles are procured and put into regular service.

Figure 23 compares cost per ton to landfill trash to the average cost per ton to recycle over this reporting period.

Figure 23 – Cost per Ton of Landfilling vs. Recycling

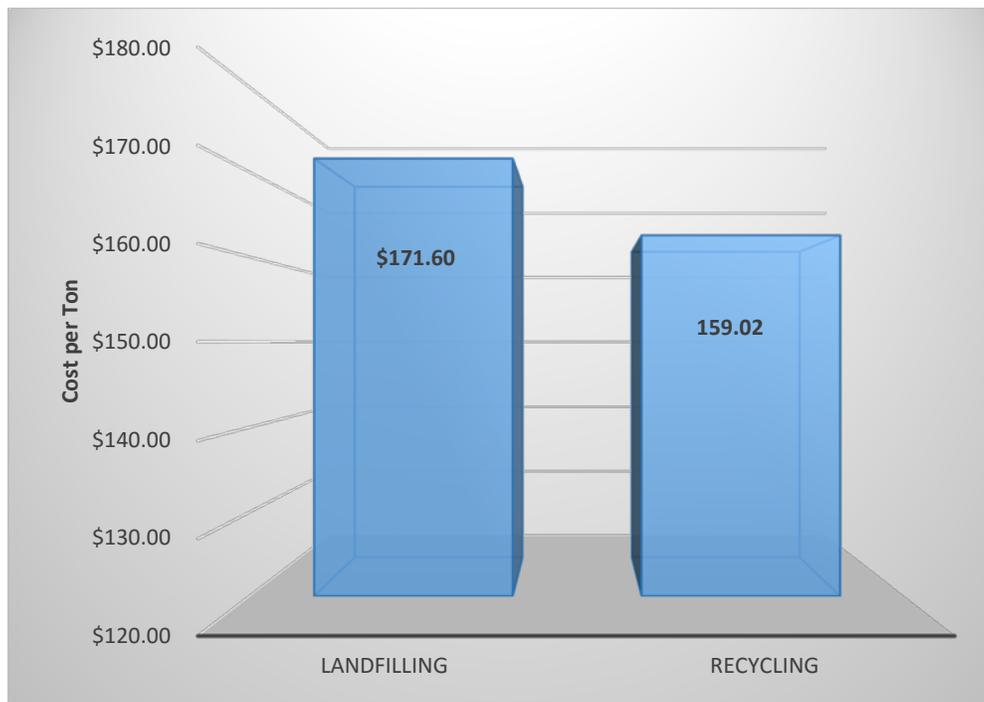


Table 6 summarizes the cost of recycling over the nine months that this report covers.

Table 6 – July 2015 through March 2016 Recycling Costs

Cost Factors	July 2015 - March 2016
Annual Cost of Carts	\$56,611.26
Overtime for Personnel	\$40,981.92
Fuel	\$25,976.51
Maintenance/Tires	\$123,635.60
Education	\$884.43
Recycling Processing	\$143,279.94
Less Transfer Station Fees	\$(45,757.14)
Less Landfill Fees	\$(35,404.01)
Less Pilot Recycling Cost	\$(58,500.00)
Expense	\$251,708.50
Revenue	\$(5,176.57)
Net Expense	<u>\$246,531.94</u>
Cost Per Ton	\$159.02

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

Procurement activity during the reporting period included a series of protests from Morrico Equipment Company. These protests delayed the purchase of needed replacement trucks for trash and recycle collection purposes. Additionally, Morrico protested a separate procurement process to purchase needed equipment to repair and retrofit trucks already owned by GSWA² In this protest, Morrico erroneously alleged that the purpose of the decision to retrofit these vehicles was to circumvent the original protest they filed on the purchase of new replacement vehicles.

The extremely slow process with which the Government of Guam (GovGuam) addresses procurement protests resulted in an unacceptable delay of more than a year in the acquisition of vehicles that are critical to the operation of GSWA. This puts at risk the quality of service to GSWA customers, the revenue needed to operate GSWA, and the ability of GSWA to achieve compliance with the Consent Decree. This situation required the Receiver to invoke 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.” Under this authority, the Receiver has proceeded with the bid process for procurement of the equipment needed to retrofit the trucks already owned by GSWA. The Receiver is also nearing a decision to invoke this authority for the procurement to purchase new vehicles unless the remaining protests, which have also been pending for more than a year, are resolved expeditiously.

² Two of these trucks are currently trash trucks but need the equipment to continue in service. The other truck was formerly used to serve the residential transfer stations but is no longer needed for that purpose due to the closing of the Dededo Residential Transfer Station.

Work associated with the liquidated damages assessed against Maeda Pacific Corporation (MPC) also continued during the reporting periods. MPC has now exhausted all of their administrative appeals and the matter is now 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 remained on hold pending the Court's decision on the financing plan. Given the Court's decision in its Order dated May 2, 2016, this procurement can now proceed along with developing plans for procurement of the trustee services required by the financing plan adopted by the District Court. In the interim, to ensure that the Ordot Dump is managed properly while this process is completed, we are working with our construction manager, GHD, Inc., to provide needed post-closure services until a contract operator and trustee are selected.

Procurement activity also included routine purchases and the procurements for the Dero Road rehabilitation and the upgrades to the residential transfer stations. These procurements have, subsequent to the reporting period, allowed work on Dero Road as noted earlier in this report. However, issues have arisen in the procurement for the work on the residential transfer stations that must be resolved.

After the reporting periods covered by this report, the Receiver bid the work to both upgrade the Agat and Malojloj Residential Transfer Stations and environmentally close the Dededo Residential Transfer Station. Because of the relatively small size of these projects and the need for compliance with environmental requirements that are not a common requirement of small projects on Guam, this procurement has presented some challenges. The small size of the projects caused a lack of interest among the larger construction companies on Guam and the environmental complexities created concerns about the ability of small firms to meet the regulatory requirements. As a result, even after outreach efforts to recruit bidders and an extension of the time-frame for bidding, we only received one bid. As with the HRP bid for the work on Dero Road, this bid was carefully evaluated but has now been rejected as neither responsible nor responsive to the IFB.

Given this result, it is highly unlikely that another round of traditional bidding will produce better results. The Receiver, therefore, is proceeding under the authority granted by the Court to depart from Guam Law for this. To avoid further delay and to ensure both competition and a quality contractor, the Receiver will utilize a different procurement model called competitive negotiation. Under this procurement process, construction firms on Guam will be identified who are both qualified and willing to perform the work. The Receiver will competitively negotiate with each of them, awarding the construction contract to the firm offering the lowest cost to GSWA.

The status of the Receiver's primary contracts, including the amounts spent during the reporting periods, is summarized on Tabs 3, 4 and 5. Individual payments occurring during the reporting periods for these contracts are included in Tabs 6, 7 and 8. 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, but updates on payments for these items are included elsewhere in this Report. Tab 9 and Tab 10 provide the Court with a list of approved change orders for the open Consent Decree construction contracts referenced above.

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

Overview

This section provides the Court with an 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 July 1, 2015 through September 30, 2015, October 1, 2015 through December 31, 2015 and January 1, 2016 through March 31, 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 Property;
- Compensation to Former Landowners of Layon Property;
- Reserves of GSWA;
- FY 2017 GSWA Operating Budget;
- GSWA's Audit for FY2015; and
- Waste disposed at the Layon Landfill.

GSWA Operating Results for FY 2015 from July 1, 2015, to September 30, 2015

This period was the final reporting period of FY 2015. Operating results continued to be strong for GSWA. Table 7 provides the Court with a summary of expenditures and revenue for FY 2015, compared with the approved budget. A detailed report of expenditures and revenue compared with the approved FY 2015 budget are provided in Tab 11 of this Report.

Table 7 – GSWA Summary of Operating Budget FY 2015

Guam Solid Waste Authority			
Summary of Operating Budget			
FY 2015			
October 1, 2014 to September 30, 2015			
Item	Total Annual Budget	Actual Spending and Revenue	% over (under) Budget
Personnel Expenses	\$3,000,000	\$2,625,697	-12.5%
Other Expenses / Reserves	\$15,365,597	\$16,704,529	8.7%
Total Expenses / Reserves	\$18,365,597	\$19,330,226	5.3%
Total Revenue (All Sources)	\$17,845,681	\$17,960,195	0.6%
Fund Balance Used	\$519,916	\$1,370,031	N/A
Total Funding Available	\$18,365,597	\$19,330,226	5.3%

During FY 2015, total personnel expenses were almost 12.5 percent below the approved budget while non-personnel expenses exceeded the budget by 8.7 percent and revenue exceeded the budget estimate by almost 1 percent. The original budget projections anticipated spending about \$520,000 in fund balance reserves to balance the budget for the year; but the final budget actually used about \$1.4 million from the fund balance. This includes allocations to GSWA reserves which are necessary but in reality, are funds set aside for future expenses that must be paid.

Cash collections of the amounts billed by GSWA remained strong for FY 2015. Table 8 compares the amounts collected during the period with the amount billed during the same period.

Table 8 – GSWA Revenue Billed/Collected

GSWA Revenue Billed / Collected			
October 1, 2014 through September 30, 2015			
Customer Class	Billed	Collected	%
Commercial	\$ 10,182,960	\$ 10,566,651	103.8%
Residential	\$ 6,281,321	\$ 6,722,045	107.0%
Government	\$ 1,415,738	\$ 1,359,210	96.0%
Total	\$ 17,880,018	\$ 18,647,907	104.3%
<small>Note: Amount collected is on a cash basis. Transfer Stations are included in the residential category. Interest income and recycling revenue excluded.</small>			

Cash collections from commercial accounts during the reporting period exceeded billing for these accounts by almost 4 percent while residential cash collections exceeded billing by 7 percent for the year. Cash collections from government accounts were 4 percent below the total amount billed.

Cash collections from residential customers exceeded billing by 7 percent. When payments from customers of the residential transfer stations, trash tag fees, collection service restoration fees and

account reactivation charges are excluded, however, cash collections from residential customers were 101.6 percent of billed charges during FY 2015.

Cash collections from government accounts were 96 percent of billed charges for the year. However, when GWA is excluded, the percentage of cash collected drops to 38.4 percent. The unpaid balance in the Government accounts (excluding GWA) continues to grow. Payments, such as they are on these accounts, are sporadic causing many of these accounts to be in a constant state of delinquency. This issue is addressed, however, when settling up GSWA accounts with the 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 (DOA) is free to collect the sums directly from the GovGuam agencies, if it so chooses. Tab 12 provides a listing of GovGuam agencies with their outstanding balances at the end of FY 2015.

GSWA Operating Results for FY 2016 from October 1, 2015, to December 31, 2015

During the reporting period ending December 31, 2015, GSWA continued to produce strong financial results. Table 9 provides the Court with a summary of expenditures and revenue compared with the approved budget for the period October 1, 2015 through December 31, 2015. Detailed reports of expenditures and revenue compared with the approved FY 2015 budget are provided in Tab 13 of this Report.

Expenses during the period were below budget. The timing with which the DOA actually posts expenditures and adjusts for the accrual of FY2016 expenses, however, has much to do with these numbers and it is expected that the final numbers for FY2016 will be close to the budgeted amounts.

Table 9 – GSWA Summary of Operating Budget for the Period Ending December 31, 2015

Guam Solid Waste Authority				
Summary of Operating Budget				
FY 2016				
October 1, 2015 to December 31, 2015				
(Unaudited)				
Item	Total Annual Budget	Budget to Date	Actual Spending / Revenue to Date	% over (under) Budget
Personnel Expenses	\$3,090,000	\$772,500	\$703,916	-8.9%
Other Expenses / Reserves	\$15,664,469	\$3,916,117	\$3,280,978	-16.2%
Total Expenses / Reserves	\$18,754,469	\$4,688,617	\$3,984,894	-15.0%
Total Revenue (All Sources)	\$18,535,514	\$4,633,879	\$4,432,626	-4.3%
Budgeted From Fund Balance	-\$218,955	-\$54,739	\$0	-100.0%
Total Funding Available	\$18,316,559	\$4,579,140	\$4,432,626	N/A

Cash collections of the amounts billed by GSWA during the reporting period remained strong. Table 10 compares the amounts collected during the period with the amount billed during the quarter ending December 31, 2015.

Table 10 – GSWA Revenue Billed/Collected

GSWA Revenue Billed / Collected			
October 1, 2015 through December 31, 2015			
Customer Class	Billed	Collected	%
Commercial	\$ 2,681,789	\$ 2,635,922	98.3%
Residential	\$ 1,647,833	\$ 1,707,479	103.6%
Government	\$ 394,301	\$ 544,324	138.0%
Total	\$ 4,723,923	\$ 4,887,725	103.5%

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 the first quarter of FY2016 exceeded billing for these accounts by 3.5 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 year to date (YTD) exceeded billing for these accounts by 1.6 percent.

Cash collections from Government of Guam agencies, other than GWA, continue to lag behind billings with payments coming sporadically. As noted earlier, 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. Tab 14 provides a listing of GovGuam agencies with their outstanding balances at the end of December 2015.

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 ending December 31, 2015, the Receiver estimates that GSWA’s fund balance increased \$1.8 million. Table 11 outlines the elements of the estimate.

Table 11 – GSWA Fund Balance

Guam Solid Waste Authority Fund Balance 31-Dec-15 (Unaudited)	
Elements of Fund Balance	Amount
Actual Fund Balance @ 9/30/15	\$ 19,811,362
Revenue FY 2016	\$ 4,432,626
Expenses FY 2016	\$ 2,635,345
Excess (Deficit) FY 2016	\$ 1,797,281
Estimated Fund Balance @ 12/31/15	<u>\$ 21,608,643</u>
Note: Revenue is on accrual basis.	

GSWA Operating Results for FY 2016 January 1, 2016 to March 31, 2016

During the reporting period ending March 31, 2016, GSWA again produced strong financial results. Table 12 provides the Court with a summary of expenditures and revenue compared with the approved budget for the period October 1, 2015 through March 31, 2016. Detailed reports of expenditures and revenue compared with the approved FY 2016 budget are provided in Tab 15 of this Report.

Expenses during the period remained below budget; however, as noted earlier in this report, 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.

Table 12 – GSWA Summary of Operating Budget for the Period Ending March 31, 2016

Guam Solid Waste Authority Summary of Operating Budget FY 2015 January 1, 2016 to March 31, 2016 (Unaudited)				
Item	Total Annual Budget	Budget to Date	Actual Spending / Revenue to Date	% over (under) Budget
Personnel Expenses	\$3,000,000	\$1,500,000	\$1,403,416	-6.4%
Other Expenses / Reserves	\$15,365,597	\$7,682,799	\$7,181,082	-6.5%
Total Expenses / Reserves	\$18,365,597	\$9,182,799	\$8,584,498	-6.5%
Total Revenue (All Sources)	\$17,845,681	\$8,922,841	\$9,157,276	2.6%
Budgeted From Fund Balance	\$519,916	\$259,958	\$0	-100.0%
Total Funding Available	\$18,365,597	\$9,182,799	\$9,157,276	N/A

Cash collections of the amounts billed by GSWA during the reporting period remained strong. Table 13 compares the amounts collected during the period with the amount billed during the quarter ending December 31, 2015.

Table 13 – GSWA Revenue Billed/Collected

GSWA Revenue Billed / Collected			
October 1, 2015 through March 31, 2016			
Customer Class	Billed	Collected	%
Commercial	\$ 5,204,748	\$ 5,543,596	106.5%
Residential	\$ 3,300,524	\$ 3,449,216	104.5%
Government	\$ 817,281	\$ 1,045,421	127.9%
Total	\$ 9,322,552	\$ 10,038,233	107.7%

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 7.7 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 5.9 percent.

Cash collections from Government of Guam agencies, other than GWA, continued to be weak. We have described earlier in this report how this matter is addressed by the Receiver. Tab 16 provides a listing of GovGuam agencies with their outstanding balances at the end of March 2016.

Our fund balance analysis for the period ended March 31, 2016, indicates an estimated increase in fund balance of \$3.3 million. Table 14 outlines the elements of the estimate.

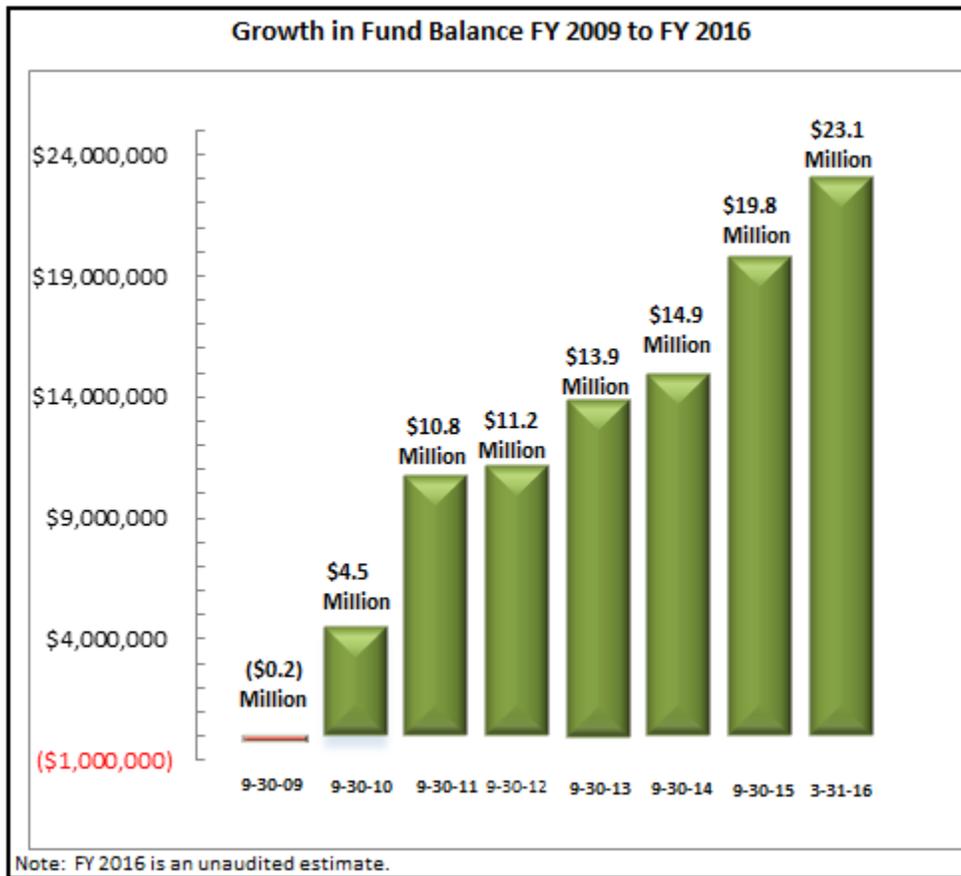
Table 14 – GSWA Fund Balance

Guam Solid Waste Authority	
Fund Balance	
31-Mar-16	
(Unaudited)	
Elements of Fund Balance	Amount
Actual Fund Balance @ 9/30/15	\$ 19,811,362
Revenue FY 2016	\$ 9,157,276
Expenses FY 2016	\$ 5,885,400
Excess (Deficit) FY 2016	\$ 3,271,876
Estimated Fund Balance @ 3/31/16	\$ 23,083,238

Note: Revenue is on accrual basis.

Fund balance is currently growing at a much faster rate because 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.³ Figure 24 shows how the fund balance from operations have changed over the time GSWA has been in receivership, illustrating the more rapid increase discussed above.⁴

Figure 24 – Growth in Fund Balance FY2009 to FY2016



³ In previous reports the Receiver has treated allocations of funds to GSWA reserves (i.e. Equipment Replacement, Cell Closure, Post Closure Care, New Cell Development and the Reserve for Unfunded Expenses) as expenditures for reporting purposes. GSWA’s auditors, however, do not treat these allocations as expenditures. Accordingly, for calculations of fund balance purposes, we will not treat them as expenditures in this and future reports but we will continue to include them as a part of the budget and report on the reserves as an essential part of the financial management of GSWA.

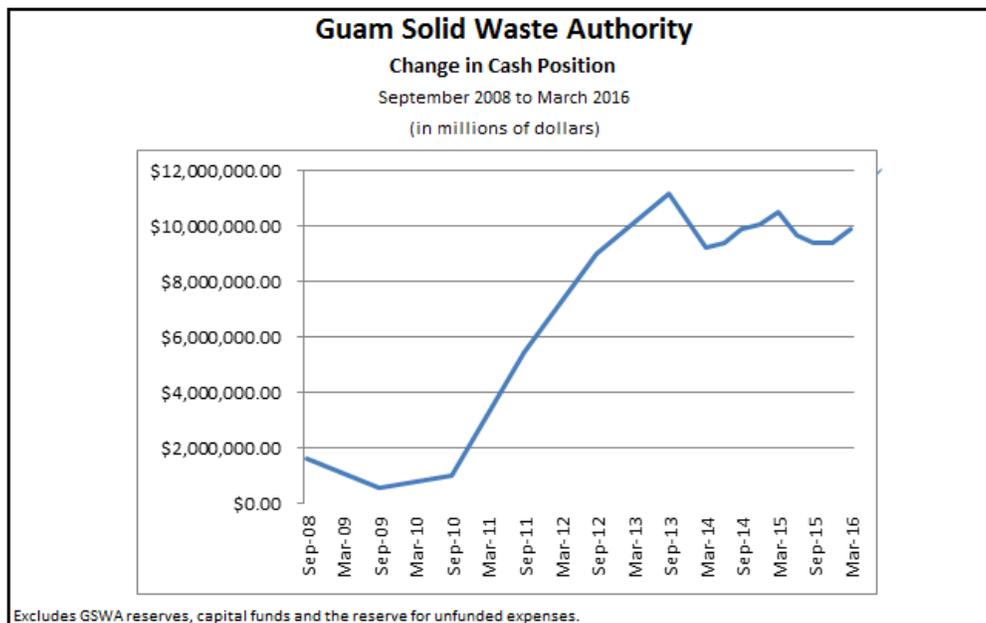
⁴ Recent criticism of the Receiver by Governor Calvo for “hoarding cash” (see *Pacific Daily News*, July 5, 2016 “Calvo: Federal receiver ‘hoards’ cash, partly to blame for GMH financial woes”) fails to consider that this cash accumulation is required pursuant to the Order of this Court to pay for the completion of Consent Decree projects and the post-closure care of the Ordot Dump.

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. Tabs 17, 18 and 19 provide a detailed list of the transactions affecting the Primary Account that occurred during each of the reporting periods.

Cash Position of GSWA

GSWA’s operating cash position has remained stable during FY 2015 and FY 2016 fluctuating near \$9.9 million. GSWA’s cash position does not include cash in GSWA’s reserves, including the reserve for unfunded projects⁵. Figure 25 outlines GSWA’s cash position at the end of each fiscal year since the Receivership began.

Figure 25 – Change in GSWA Cash Position (Million \$)

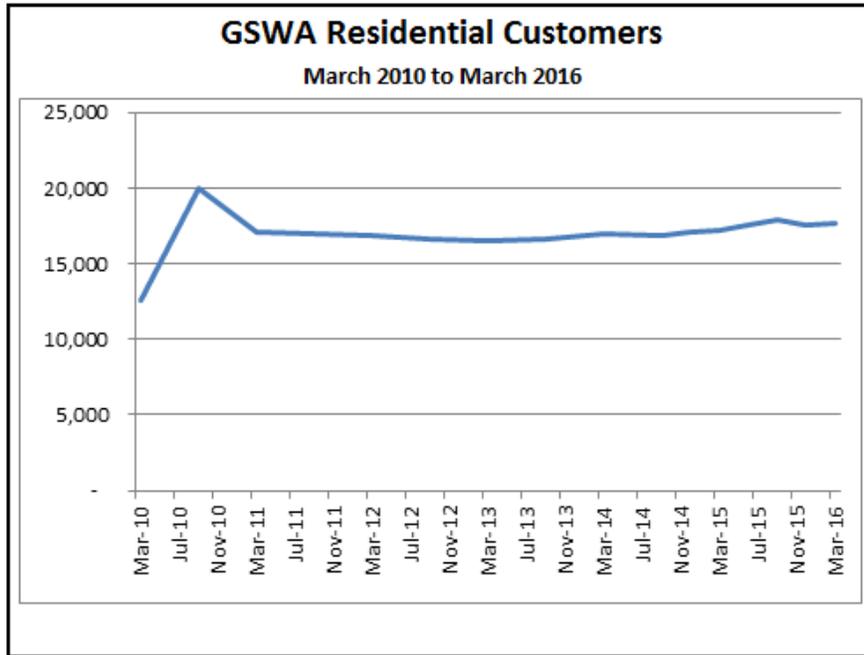


Status of Residential Customers

The number of curbside residential customers continued to increase during the reporting periods. On June 30, 2015, the number of residential customers was 17,558, while on March 31, 2016 the number had grown to 17,863. Figure 26 illustrates the very stable base of GSWA residential customers and its steady growth under the management of the Receiver.

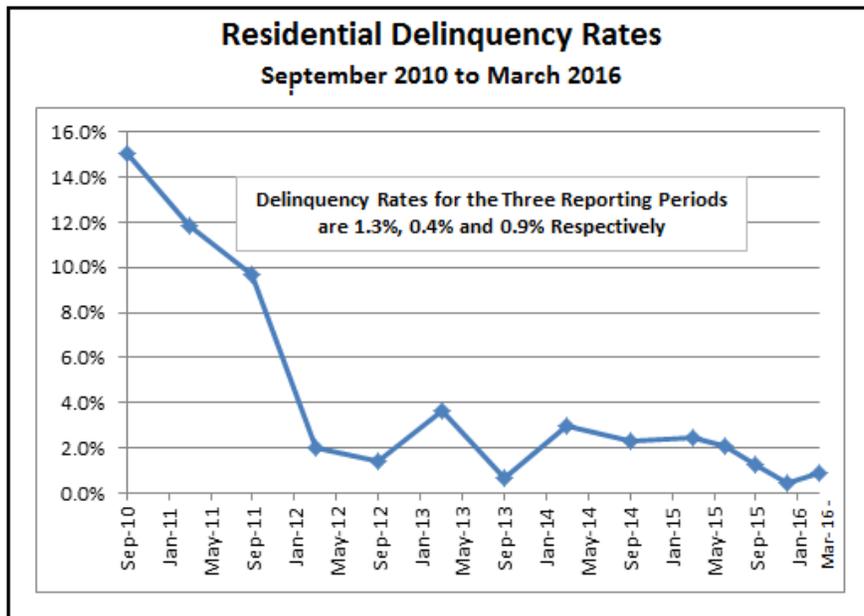
⁵ The Reserve for Unfunded Expenditures is the bank account to accumulate funds for the remaining Consent Decree projects and the post-closure care of the Ordot Dump. It is funded by cash previously used to reimburse the Government of Guam for debt service.

Figure 26 – GSWA Residential Customers



Residential delinquency rates remained very low throughout the reporting periods. Figure 27 shows the trend in residential delinquency rates from September 2010 to March 2016.

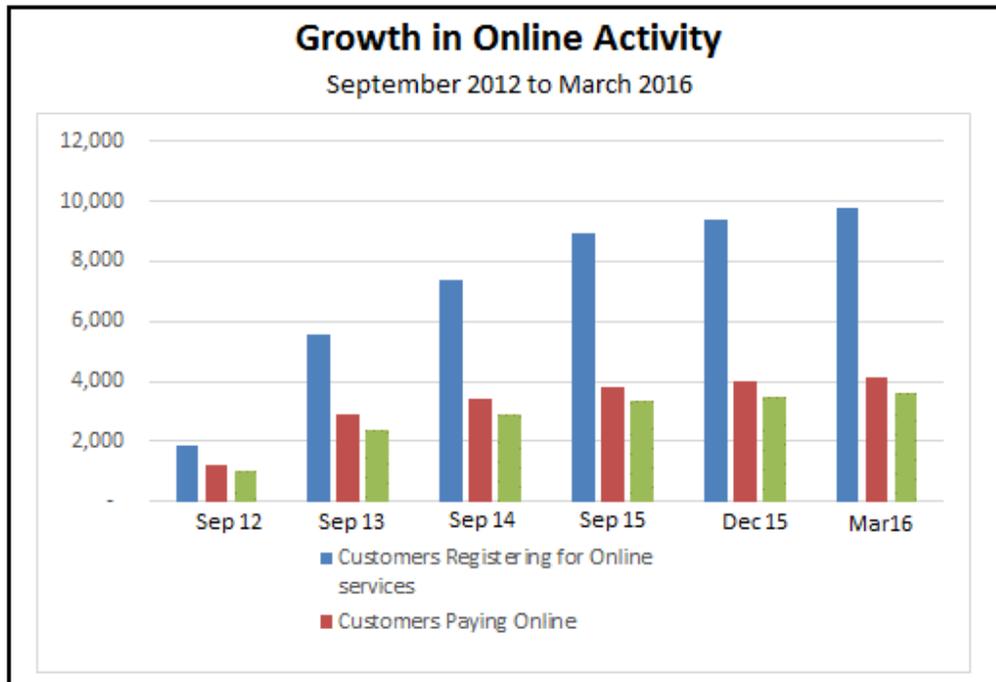
Figure 27 – Residential Delinquency Rates



GSWA’s customer service staff continues to do a great job in this vital area of its work. This significantly contributes to GSWA’s financial health. We will continue to monitor residential delinquency rates closely and keep the Court informed.

Online payments and account management by residential customers continued to grow during FY 2015 and FY 2016, as shown in Figure 28. The number of customers registering for online services increased to 9,806, an increase of 10 percent between October 1, 2015 and March 2016. This is more than 55 percent of GSWA residential customers who access their accounts online. More than 23 percent of all residential customers paid their bill online and over 20 percent of all residential customers opted for paperless billing. Paperless billing saves GSWA funds by not having to print and mail bills to these customers. The annual savings for this, based on the number of customers opting for paperless billing in March 2016, is \$79,052.28.

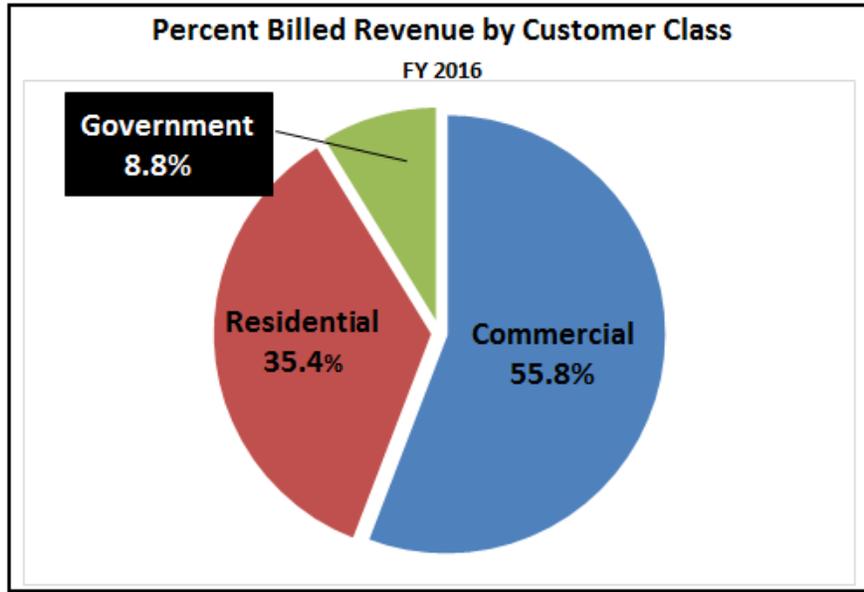
Figure 28 – Growth in Online Activity



Status of Large Commercial Accounts

Large commercial haulers are the source of more than 60 percent of the system’s revenue. Figure 29 illustrates the amounts billed to each major commercial customer during FY 2015 and FY 2016. The revenue base of GSWA is very stable with each major class of revenue each contributing roughly the same percentage of GSWA’s total revenue in both FY 2015 and FY 2016. In fact, as prior reports of the Receiver show, this pattern has been stable for several years.

Figure 29 – Revenue Billed by Customer Class



There is also relative stability among the Commercial Customers of GSWA. Table 15 compares the percentage of total revenue from each commercial customer as a percent of total commercial revenue for the entire 2015 fiscal year with the first six months of FY 2016. While the two periods are not completely comparable they do clearly illustrate the stability of the commercial markets on Guam.

Table 15 – Percent of Revenue Billed by Commercial Customer

GSWA COMMERCIAL CUSTOMERS		
Commercial Customers Percent of Commercial Revenue		
Company	FY 2015 (12 mos)	FY 2016 (6 mos)
MR RUBBISHMAN	50.1%	51.5%
TRASHCO	3.1%	2.7%
LAGU SANITATION COMPANY	14.6%	12.2%
PACIFIC WASTE SYSTEMS, LLC	17.6%	19.8%
ISLAND WASTE MANAGEMENT	1.3%	1.1%
NAVFACMAR GUAM	12.6%	12.0%
ALL OTHER COMMERCIAL ACCOUNTS	0.7%	0.6%

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 GSWA’s 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, the Receiver will continue to monitor carefully and support DOA when requested. As already noted in this report, 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 \$5,174,623.81 during the period July 1, 2015, through September 30, 2015. Interest earnings were added to the account in the amount of \$4,271.35. Tab 20 provides a detailed listing of all transactions affecting the account during the period July 1, 2015 through September 30, 2015.

Payments from the Construction Subaccount were \$3,965,687.13 during the period October 1, 2015, through December 31, 2015. Interest earnings were added to the account in the amount of \$2,701.06. Tab 21 provides a detailed listing of all transactions affecting the account during the period October 1, 2015 through December 31, 2015.

Payments from the Construction Subaccount were \$4,412,390.78 during the period January 1, 2016 through March 31, 2016. Interest earnings were added to the account in the amount of \$1,765.80. Tab 22 provides a detailed listing of all transactions affecting the account during the period January 1, 2016 through March 31, 2016.

Table 16 provides the Court with an accounting of the retainage held for contractors that is paid from the Construction Subaccount.

Table 16 – Retainage on Trustee Account Payments

Retainage on Trustee Account Payments		
<i>As of 3/31/2016</i>		
Company	Description	Amount
Brown and Caldwell	Retainage	\$ 11,245.08
EA Science and Technology	Retainage	\$ 8,891.99
GHD (formerly Winzler & Kelly)	Retainage	\$ 16,318.74
Total Retainage Held.....		\$ 36,455.81

When the retainage obligations are considered, on March 31, 2016, the Construction Subaccount had a balance of \$2,703,788.56 available for future Consent Decree obligations.

Host Community Premium Surcharge Fees

During the reporting period, July 1, 2015, through September 30, 2015, GSWA assessed Host Community Premium Surcharge (HCPS) fees totaling \$88,507.66, bringing the total assessed HCPS fees during FY2015

to \$332,455.60. Due to the lag time allowed by Guam Law between billing and payment, HCPS fees collected during the period were \$98,755.46. 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 23.

During the quarter ending December 31, 2015, GSWA assessed HCPS fees totaling \$87,374.23. FY2015 HCPS fees collected during the period were \$89,406.28, bringing the total fees collected for FY2015 to \$332,455.60. During this reporting period, \$20,889.40 in FY2016 HCPS fees were collected. Total funds in the amount of \$110,295.68 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 24.

During the quarter ending March 31, 2016, GSWA assessed HCPS fees totaling \$84,479.74, bringing the total fees assessed for FY2016 to \$171,853.97. During this reporting period, \$55,532.80 in FY2016 HCPS fees were collected. 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 25.

Capital Funding

Table 17 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 March 31, 2016. This table is also provided as Tab 26 with larger type for the reader's convenience.

Table 17 – Allocation of Capital Available to the Receiver

Allocation of Capital Available to the Receiver					
Consent Decree Projects					
As of March 31, 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)	\$ 9,768,238.93	\$ 791,761.07
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	\$ 43,227,771	\$ (12,637,470.96)	\$ 43,227,770.96	\$ -
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	\$ 10,833,419	\$ (8,111,619.48)	\$ 10,805,650.45	\$ 27,769.03
Ordot Contingency ⁴	\$ -	\$ 788,109	\$ (788,108.56)	\$ -	\$ 788,108.56
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) ³	\$ 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) ³	\$ 5,032,900	\$ 5,032,900	\$ -	\$ 350,953.69	\$ 4,681,946.31
Total	\$ 172,975,100.00	\$ 166,154,799.36	\$ 6,820,300.64	\$ 151,555,280.59	\$ 14,599,518.77

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. See note 5 below.

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.

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.

This table has been modified to include the additional projects authorized by the Court. These projects, and the post-closure care plan for the Ordot Dump, are to be funded from the Reserve for Unfunded Expenses.

Most of the activity in the Reserve for Unfunded Expenses, as of the date of this report, are deposits to the reserve. As the spending for the capital projects funded from the reserve begins, along with post closure expenses for the Ordot Dump, however, activity in the account is expected to increase. As of March 31, 2016 the balance of the Reserve for Unfunded Expenses is \$8,473,347.33. All transactions affecting the reserve from its inception are detailed in Tab 28.

Compensation to Former Landowners of Ordot Property

The issue of the size of Lot 3434 remains before the Superior Court of Guam. The new survey, commissioned by the Receiver, has been submitted to the proper authorities and the Court has been asked to determine what portion, if any, of the property has always been 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.

As noted in our report dated October 21, 2015, lot 450 was appraised by the appraisal company that was retained by the Receiver on the recommendation of Guam's Attorney General. Value of the property was established at \$308,000, as of November 13, 2013. This amount was deposited with the Clerk of the Court as required by Guam Law. The former owners have commissioned an appraisal by Captain & Associates. The Captain Appraisal determined the value of the property to be \$1.9 million. In response, the Receiver is obtaining a review of the Captain Appraisal from the Receiver's appraisal and an update to the appraisal first commissioned by the Receiver. This matter is now set for trial on January 11, 2017.

An additional land issue has arisen with the work on Dero Road. Three easements for stormwater purposes are needed. Two of these are on land already owned by GovGuam. We are proceeding with this construction and working with legal counsel to ensure that the easements are properly recorded on the government's land records. The third easement needed is on privately owned property. We are working with legal counsel, the property owners and the Mayor to secure this easement.

Compensation to Former Landowners of Layon Property

The issue of compensation to the former owners of the land upon which the Layon Landfill is located is important when evaluating the Government of Guam's compliance with the Consent Decree. As has been noted in our last two reports, as well as widely reported in the media, the Government of Guam has chosen to compensate these former landowners through tax credits. The Governor's Office continues to maintain that it cannot disclose information about specific compensation paid to each former landowner. We continue to disagree with their position on disclosure of this information and believe that the decision not to release the information is designed to protect former owners from criticism.

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 reports dated March 5, 2015 and October 21, 2015, we provided the Court with updates to this information. We have again requested information with which to update the Court in this matter and the Legal Counsel to the Governor, after initially referring us to the Office of the Attorney General, has provided the information.

The total liability of the Government of Guam to the former landowners increased by \$280,954.20⁶ since our previous report to this Court. All of the increase appears to be attributable to interest on the unpaid balance. The former landowners continue to earn interest at the rate of 6 percent until the tax credits available to them are actually used. As noted in our earlier reports, we do not have any information on the specific dates the tax credits that have been used to date were actually claimed by the former landowners.

⁶ As of May 20, 2016 according to the information provided by the Governor's Legal Counsel. See Tab 29 containing the latest correspondence from the Governor's Legal Counsel.

Using the information provided by the Governor’s Legal Counsel, we can state that the total liability has increased to \$34,451,201. Table 18 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 18 – Total Liability and Unpaid Balance

As of May 20, 2016	
Original GovGuam Appraised Value	\$3,390,000
Additional Compensation per Judgment (CV0084-08)	\$21,705,683
6% Interest from 01/24/2008	\$9,355,518
Total Liability	\$34,451,201
Tax credits paid	\$ (25,695,726)
Cash paid from Federal Compact/Impact Funds	(\$3,401,877)
Balance of Unpaid Judgment	\$5,353,598
Minor differences between this table and the table allocating payments to specific former owners is due to rounding.	

While we do not know the specific amounts paid to each former landowner, we can estimate the payments received by each former landowner within a range of likely payments. Table 19 provides the Court with an update of the range of likely payments to former landowners.

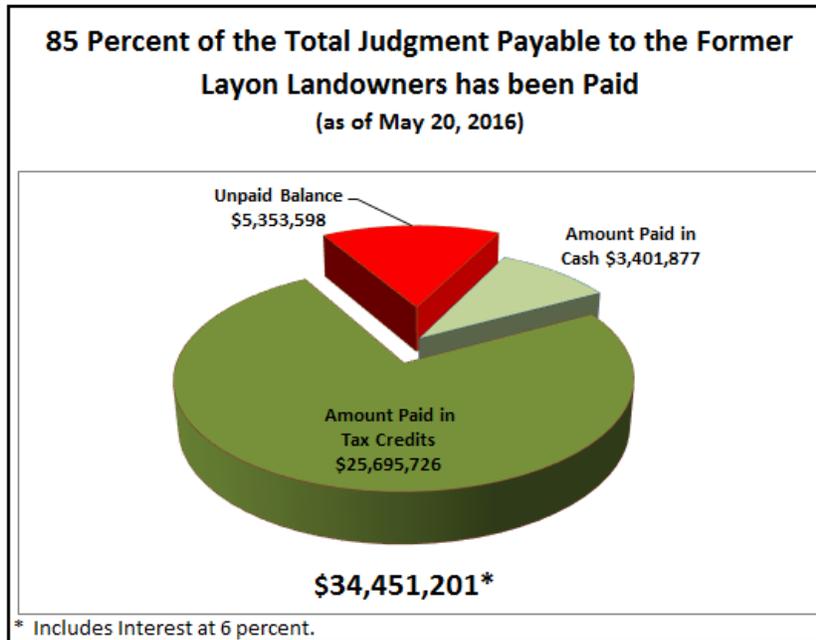
Table 19 – Range of Likely Payments to Former Landowners

Compensation Paid to former Layon Landowners							
As of 5/20/2016							
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.	\$ 17,275,940	\$ 1,700,938	\$ 11,848,599	\$ 13,549,537	\$ 14,724,863	\$ 16,425,801	
Calvo's Insurance Underwriters, Inc.	\$ 8,323,149	\$ 850,469	\$ 7,472,680	\$ 8,323,149	\$ 4,917,063	\$ 5,767,532	
Valencia Investments Corporation	\$ 2,873,181	\$ 272,150	\$ 2,601,031	\$ 2,873,181	\$ 2,438,077	\$ 2,710,228	
Jones and Guerrero Company, Inc	\$ 2,869,324	\$ 272,150	\$ 2,597,173	\$ 2,869,324	\$ 2,438,077	\$ 2,710,228	
Alfred and Diana Ysrael	\$ 1,796,950	\$ 170,094	\$ -	\$ 170,094	\$ -	\$ 170,094	
Lee and Joan Holmes	\$ 491,238	\$ 51,028	\$ 440,209	\$ 491,238	\$ 440,976	\$ 492,004	
Douglas F. Cushnie	\$ 406,971	\$ 42,285	\$ 364,685	\$ 406,971	\$ 364,935	\$ 407,220	
Joaquin C. Arriola	\$ 272,552	\$ 28,321	\$ 244,231	\$ 272,552	\$ 244,415	\$ 272,736	
Young Chull Kim	\$ 141,558	\$ 14,441	\$ 127,117	\$ 141,558	\$ 127,320	\$ 141,761	
Totals	\$ 34,450,862	\$ 3,401,877	\$ 25,695,726	\$ 29,097,603	\$ 25,695,726	\$ 29,097,603	

*Initial Payment was based on appraised value.

Scenario A in Table 19 assumes that all former landowners other than Oxford Properties & Finance LTD., and Alfred and Diana Ysrael⁷ have been paid in full, with the balance of the tax credits claimed since our last report paid to Oxford Properties & Finance Ltd. Scenario B assumes that all of the tax credits claimed since our last report, were applied to Oxford Properties & Finance Ltd.’s unpaid balance and that none went to the other former landowners. In any event, Figure 30 illustrates the total cost of the land, payments that have been made and the total remaining unpaid balance.

Figure 30 Total Cost and Amounts Paid to Date for Layon Land



Reserves of the GSWA

Table 20 outlines the status of the reserves of GSWA on March 31, 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. Tabs 30, 31, 32 and 33 provide the Court with all transactions affecting each of these accounts from July 1, 2015 to March 31, 2016.

⁷ See page 41 and Tab 16 of the Receiver’s Quarterly Report dated March 5, 2015 for the basis upon which the assumption that former owners Oxford Properties & Finance LTD., and Alfred and Diana Ysrael initially refused to accept tax credits as payment.

Table 20 - Reserves of the Guam Solid Waste Authority

Reserves of the Guam Solid Waste Authority	
<i>As of 3/31/2016</i>	
Reserves	Total
Equipment Replacement Reserve	\$ 2,904,151.37
New Cell Development Reserve	\$ 218,114.35
Cell Closure Reserve	\$ 218,114.35
Post-Closure Care Reserve Layon Landfill	\$ 436,228.33
Total Reserves.....	\$ 3,776,608.40

FY2017 GSWA Operating Budget

An important step in the transition plan is that the Receiver and the GSWA Board of Directors collaborate in developing the GSWA Budget for the transition year. This will give the board some experience in addressing this important process. Based on the Court’s approval of the timeline for transition recommended by the Receiver, FY 2017 is the transition year. To allow time for this process to work, it is requested that the Court authorize the Receiver to make any needed adjustments in the budget approved for the current FY 2016 and to continue to operate with the FY 2016 budget in early FY 2017, if necessary, pending approval of the FY 2017 Budget. When the process is complete for FY 2017, the Receiver will submit the recommended FY 2017 Budget to the Court for approval.

GSWA’s Audit for FY2015

As in previous years, an audit of GSWA for the 2015 fiscal year was performed by Deloitte & Touche, LLC. The audit demonstrates the strong financial results GSWA in FY 2015. The audit finds no misuse of GSWA funds and documents the strong growth in the fund balance, as reported elsewhere in this report. Auditors continue to note the Receiver’s use of authority granted to the Receiver to depart from Guam Law in certain procurement matters. The full audit report is submitted as Tabs 34, 35 and 36.

Waste Disposed at the Layon Landfill

The waste disposed at the Layon Landfill increased by almost 4 percent during the nine months covered by this report. Table 21 shows total waste disposed by customer type during the period July 1, 2015, through March 31, 2016, compared to the same period one year earlier.

Table 21 – Total Waste (Tons) Disposed by GSWA

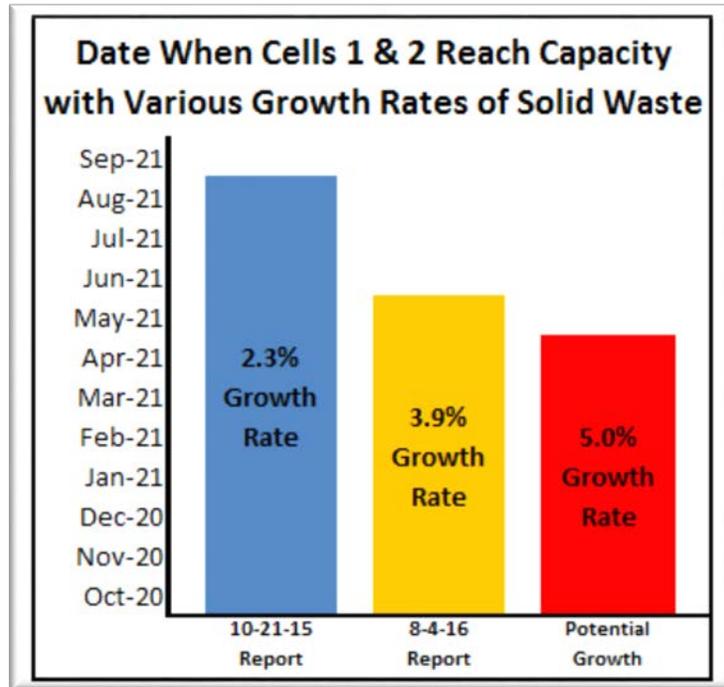
Change in Waste (Tons) Disposed by GSWA			
By Customer Group			
Comparing July 1, 2015 through March 31, 2016 with July 1, 2014 through March 31, 2015			
Customer	FY 2015	FY 2016	% Change
Residential	14,549	15,211	4.6%
Commercial	40,988	42,821	4.5%
Military	5,996	6,087	1.5%
Government	6,392	6,978	9.2%
Mayors	1,280	1,364	6.6%
Transfer Stations	3,692	3,296	-10.7%
Other	101	96	-5.0%
Total	72,999	75,853	3.9%

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

Four out of the seven customer types significantly increased during the time covered by this report while one customer type, the military, increased at a more moderate rate of growth. Two customer types actually decreased, however, only one is significant; the decline of residential transfer stations. The decline in the residential transfer station tonnage during this period is not surprising since the reporting periods are the first since the decision by Governor Calvo to close the Dededo Transfer Station.

The overall increase in the tonnage disposed during this period does have implications for the closure of Cells 1 and 2 of the Layon Landfill. In our last report we noted a rate of growth of 2.3 percent in waste disposed at the Layon Landfill and projected, based on that rate of growth, that Cells 1 and 2 would reach capacity in late August 2021. Based on the higher rate of growth we are reporting here, should it continue, Cells 1 and 2 would reach capacity May 2021. Should the rate of growth increase at a faster rate, capacity will be reached even earlier. Figure 31 illustrates the estimated date capacity will be reached given the rate of growth in our last report; the rate of growth reported in this report; and a potential rate of growth of 5 percent.

Figure 31 – Time- Frame for Closure of Cells 1 & 2



Based on the timeline for the new cells we will need to begin some of the preliminary steps outlined in the timeline for closure of cells 1 and 2 included in our report dated October 21, 2015. We will proceed with this work in a collaborative manner with the GSWA Board of Directors so that the work can be handed off at the time of transition.

7. 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 coordination with 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.

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 Operation Year Five 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.

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

- 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.
- 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.

Transition

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