

# Quarterly Report of the Receiver

Civil Case No. 02-00022

United States of America v. Government of Guam  
Guam Solid Waste Management Division

Prepared for:



U.S. District Court of Guam

Submitted by:



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

July 15, 2009

Printed on recycled paper

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

**Solid Waste Management Division**

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 of the Government of Guam, we are pleased to submit to the Court this Quarterly Report (“Report”). The purpose of this Report is to describe to the Court the progress made toward compliance with the Consent Decree since the fourth Quarterly Report filed with the Court on April 16, 2009, and to outline the Receiver’s recommendations for achieving compliance with the Consent Decree. To complement this Report, the Receiver is also submitting the presentation entitled “Quarterly Report for Receivership for the Government of Guam, Department of Public Works, Solid Waste Management Division” (see Tab 2).

**Introduction**

In this Report, we discuss the work completed in the quarter ended June 30, 2009. Since our last quarterly report in April, we have continued efforts to bring Guam into compliance with the Consent Decree. There have been major advances in the design, permitting and construction of the Layon Landfill. In addition, the SWMD’s operations continued to improve, with a significant dramatic drop in customer complaints and an increase in productivity and efficiency. The Receiver also completed the procurements and fine-tuned the plans to rollout the new cart-based trash collection system this summer. In the financial area, the Receiver also took steps to address both the short-term issues of operating the SWMD and the long-term issues of financing the Consent Decree projects. In this Report, we present the following updates for April - June, 2009:

- 1. Layon landfill design, permitting and construction (April – June 2009)**
- 2. Operations of the Solid Waste Management Division**
- 3. Trash cart rollout plan**
- 4. Community outreach**
- 5. Financial issues and capital funding**
- 6. Next steps**

## **1. Layon Landfill Permitting and Construction (April – June 2009)**

### **Design**

#### ***Landfill Liner Systems and Entrance Facilities (Phase II)***

During the quarter, TG Engineers, PC, (TGE), the design consultant chosen by the Government of Guam, incorporated into the Draft Final Design permit package the 90% Design Submittal comments from GEPA and EPA, resulting in the re-submittal to GEPA of the Draft Final Design Submittal on May 22. This is the primary supporting document of the solid waste facility permit package, providing all the systems for the waste management units, Cells 1 and 2, at the facility.

This design package is currently under review by GEPA and EPA for a final determination on the technical adequacy of the submittal for its inclusion in the Draft Solid Waste Facility Permit for the Layon Landfill. This permit and other permitting efforts are discussed further in the Permitting section of this Report.

#### ***Access Road and Utilities***

In addition to the Landfill Systems and Entrance Facilities design package, the concurrent second design package consists of the Access Road and Utilities. In the previous quarter, TGE submitted to the Guam Waterworks Authority (GWA) the 90% Sewer Line Design Submittal for review and comment as part of this package that remained to be reviewed. GWA provided its comments in late April, and they were incorporated into the final revised version to be submitted to DPW for a construction building permit. As the Court will recall, the Government of Guam deleted the sewer line design from the project for reasons that were not clear to us. The Receiver subsequently re-authorized the design work on this critical part of the project. The sewer line design has now been incorporated into the Access Road and Utilities plan set, which is independent of the Solid Waste Facility permit.

#### ***Leachate Treatment Feasibility Study for the Inarajan Wastewater Treatment Plant (WWTP)***

Absent from DPW's initial landfill design, prior to the Receiver's involvement, was a plan for the management of leachate disposal. Recognizing this deficiency, the Receiver initiated a leachate treatment feasibility study, which involved many agencies and coordination with the GWA, GEPA and EPA. The study is being conducted by Brown and Caldwell, one of the leading environmental engineering and consulting firms in the United States.

During this quarter, Brown and Caldwell conducted the following components of the leachate treatment feasibility study:

1. Coordinated with GWA to address rules pertaining to the discharge to the wastewater collection system, as well as GEPA and EPA regulations for the management and treatment of leachate.

2. Reviewed and assessed Inarajan WWTP's current treatment capacity, current operating data, and current treatment plant performance based on existing data and anticipated leachate flows.
3. Discussed with GWA the requirements for discharging leachate to the Inarajan WWTP and reviewed the study approach. Conducted initial meeting with GEPA and EPA to discuss the results of the treatability study and discussed requirements for leachate management and treatment conditions to be incorporated into the Draft Solid Waste Facility permit.
4. Conducted a two-week bench scale treatability study to determine the ability of the Inarajan Wastewater Treatment Plant (WWTP) to treat leachate and prepared a draft treatability report, which has been presented to GWA, GEPA and EPA for review and comment. Results indicate the leachate can be treated at the plant and that some improvements to the plant and potential pretreatment at the landfill will be needed.

***Next Steps:***

- Prepare a draft feasibility report that compares the alternatives evaluated.
- Provide recommendation and the basis for one of the three alternatives.
- Submit a draft final report to GWA, GEPA and EPA. Incorporate comments from these agencies into a final report.
- Design, permit and construct the preferred alternative.

***Ordot Dump Stability Analysis***

During this period, the Receiver initiated a static and seismic slope stability analysis for the Ordot Dump in its present configuration and for its final interim configuration at the time of its anticipated closure in July 2011. Shaw Environmental, Inc., prepared a draft report, which was reviewed by the Receiver; a final report will be submitted early in the next quarter. The draft conclusion confirms that the prior, existing and anticipated future configurations of dump's slopes have adequate factors-of-safety to protect against static (non-earthquake induced) slope failures, though the analysis did indicate the Dump has existing characteristics that make it susceptible to slope displacements greater than design tolerances for a properly designed landfill. This condition was expected and will be addressed as part of the Ordot Dump Closure redesign. The next steps continue to be adjustments to the interim filling plan to maximize capacity until closure.

**Permitting**

***Draft Solid Waste Facility Permit for Construction***

The Receiver continued to facilitate TGE's responses to comments from GEPA and EPA as the agencies conducted their review of the Draft Solid Waste Facility Permit application and/or the supporting technical documents. During this quarter, TGE completed the incorporation of all GEPA and EPA comments into all the supporting technical documents, culminating with the submittal on May 22, 2009, of the Draft Final set. Throughout this quarter, the Receiver, GEPA, EPA and associated consultants continued to hold regularly scheduled bi-weekly permitting and weekly technical teleconferences to answer GEPA and EPA questions during their review of the

documents. The primary focus during this period has been on the development of a draft permit, review of the May 22, 2009 submittal, and organizing and addressing the logistics for the upcoming public comment period. During the quarter, additional adjustments to the permit review process were made in order to provide additional time for the solid waste facility permit process, including formally adjusting the date for a Notice of Decision to November 20, 2009, which will signify approval of the application and issuance of the Solid Waste Facility Permit for construction and operation.

As part of the permit requirements and conditions for the operation of the landfill, the management alternatives for leachate will be included in the permit in accordance with GWA and GEPA requirements. The feasibility study to select the most appropriate alternative will be completed early in the next quarter, with design commencing shortly thereafter, and construction and operation in place prior to the commencement of waste acceptance at the landfill.

During this next quarter the following permit milestones are anticipated:

1. Completion of Draft Solid Waste Facility Permit by GEPA
2. Public comment period by GEPA
3. Public hearing by GEPA

The design of the landfill already has significant redundancy beyond what is normally seen in a landfill design. These include a double liner and a sub-drain system. The initial comments from the reviewers indicate that they may require additional redundancy to be added. If they do add such additional requirements, the cost will increase and the design timeline will also be affected. We are working with GEPA, EPA and the design team to evaluate these issues, and we will keep the Court fully informed.

### ***Air Permit for Operation***

This permit is currently in draft form and expected to be issued for public review at the same time the Draft Solid Waste Facility Permit is issued.

### ***Building Permits***

In addition to the solid waste-specific permit requirements, DPW building permits are required for both major construction packages. During this quarter, TGE prepared both the Landfill Systems & Entrance Facilities and the Access Road & Utilities permit sets, incorporating the latest design sets and the environmental permit requirements such as the environmental protection plans, erosion and sediment control plans and stormwater pollution prevention plans. We expect to submit these packages in July 2009.

### ***Environmental Permits***

Concurrent with advancing the building permits, the earthwork contractor and construction manager continue to monitor and manage environmental permits for the existing work. Early in the next quarter, the Receiver will seek building and environmental permits for the installation and operation of groundwater monitoring wells, clearing and grading permits, and

other permits in order to implement the next phases of construction activities at the Layon Landfill site.

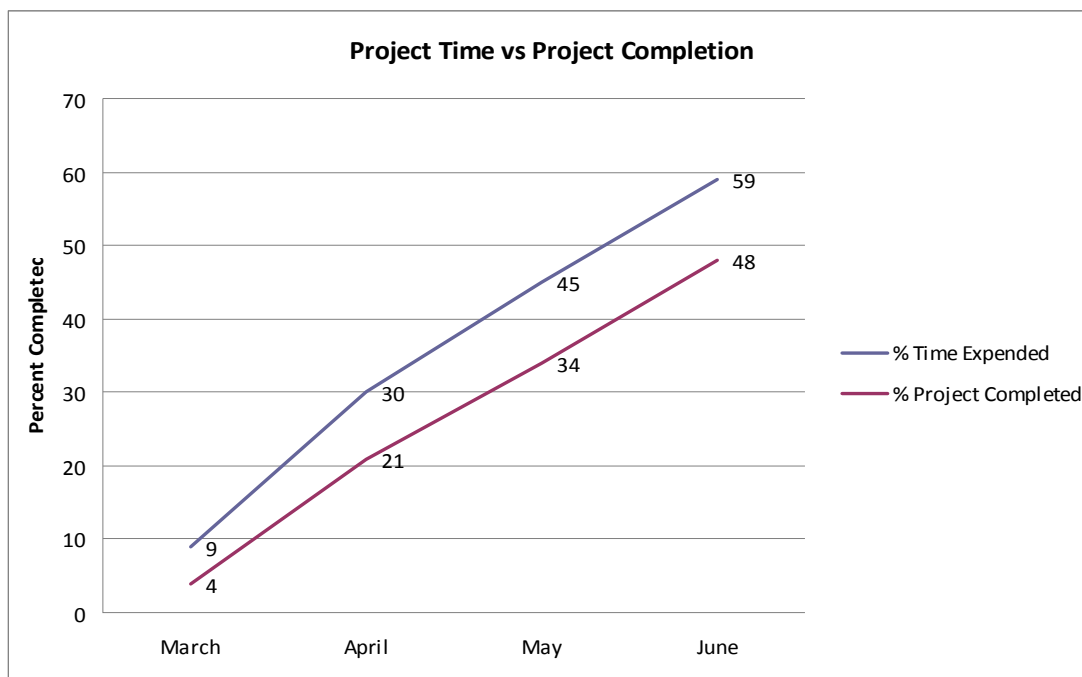
### **Procurement**

Procurement efforts during this period centered on the development of a construction management request for proposal, construction bid procurement packages for the Phase II and Access Road & Utilities construction work, and the groundwater well monitoring program. We expect to solicit all procurements in July 2009.

### **Construction**

During this quarter, there has been significant progress in the construction of the landfill operations road and earthwork activities. As of the end of this quarter on June 30, the contractor was 125 days into the 210-day contract period; 59 percent of the contract time has been expended. Progress at the site is measured primarily by the amount of material that has been excavated and the quantity of material placed in fills. As of June 30, the contractor has excavated approximately 500,000 cubic yards or 57 percent of the total material to be removed. In addition, approximately 100,000 cubic yards or 45 percent of the total fill material has been placed. The total composite construction project, including other project components such as the drainage structures and roadways, is now approximately 48 percent complete. Chart 1 shows construction progress as of June 30, 2009:

**Chart 1.**  
**Construction Progress: Layon Landfill Operations Road and Earthworks Activities**



We continue to work with the construction manager and contractor to address production issues and will keep the Court fully informed on progress.

## **2. Operations of the Solid Waste Management Division**

### **Overview**

During this quarter, scales to weigh trash were installed at the entrance of the Ordot Dump and weighing operations commenced on May 18<sup>th</sup>; the Receiver modified days of operation for the SWMD's three transfer stations so that residents can dispose of their trash and recyclables on Sundays and Mondays; we changed the days of operations of the Ordot Dump so that it is now closed on Sundays, thereby allowing a more efficient use of employees; and we have consolidated trash collection routes to increase efficiency.

These improvements add to the ongoing changes that the Receiver has instituted since being appointed by the Court on March 17, 2008. When the Receiver arrived:

- The SWMD had only one working trash truck to collect nine daily routes.
- The SWMD rented two trash trucks from the private sector that often failed mechanically.
- The SWMD operated a three-shift day during which the sole working trash truck operated nearly around the clock in order to collect customers' trash.
- There was no reliable, accurate way to calculate the tonnage of trash disposed at the Ordot Dump.
- The SWMD was hamstrung by the poor payment practices of the Government of Guam with vendors refusing to provide goods and services to the Division.
- SWMD employee morale was exceptionally low, working conditions were poor, and accountability was minimal.

### **Customer Service**

During the first half of 2009, there has been a dramatic drop in complaints made to the SWMD compared with complaints received during the same period in 2008, providing evidence that the SWMD's customers are receiving more consistent and better service. Chart 2 compares the number of January and February complaints for the years 2008 and 2009. As we noted in our last report, the total number of complaints in January/February 2008 was 682, while in January/February 2009, the total was 244, a 64 percent decline.

**Chart 2.**  
**January/February Complaints to SWMD, 2008-2009**

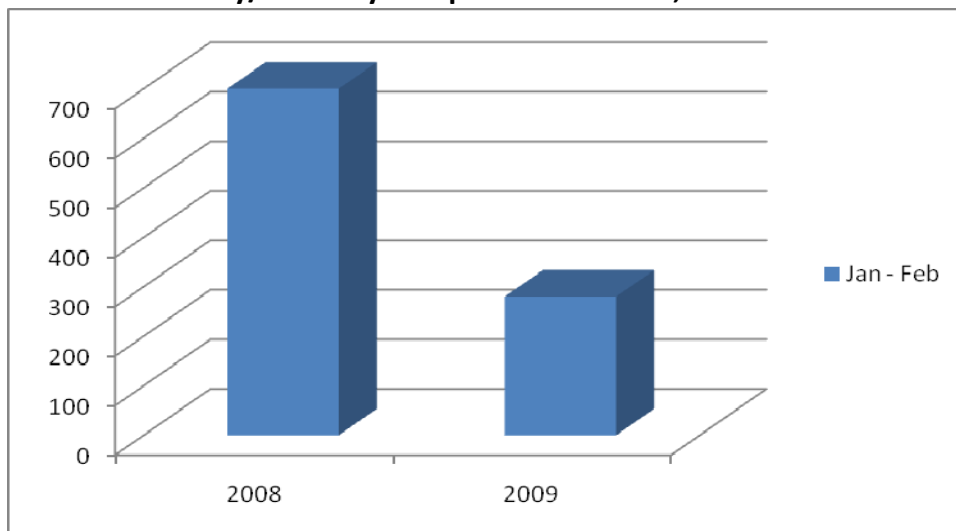
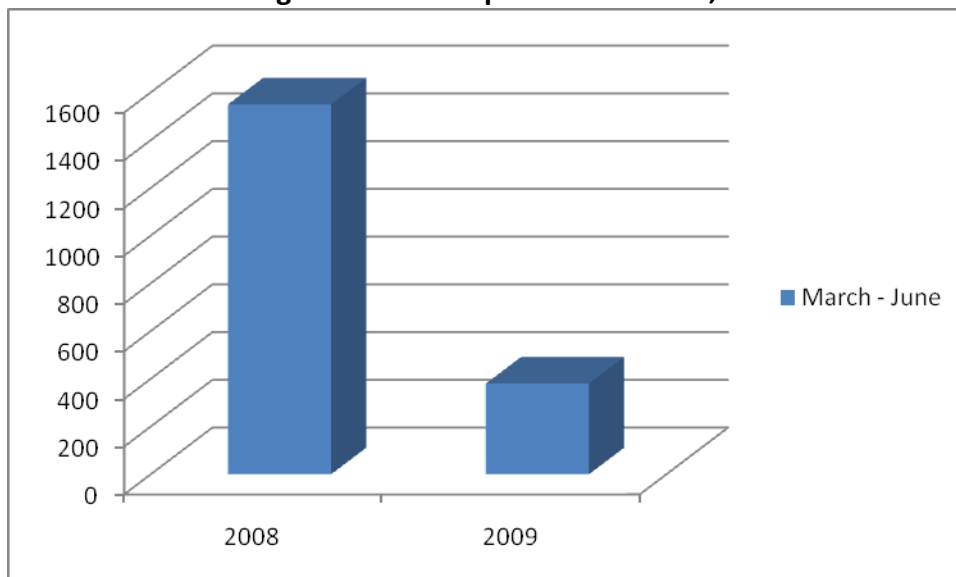


Chart 3 compares the number of complaints from the beginning of March through June of 2008 with the complaints filed with the SWMD for the same months (until June 25) of 2009. The reduction in complaints is dramatic: 1,433 in 2008 to only 280 in 2009 – a decline of 80 percent.

**Chart 3.**  
**March through June 25 Complaints to SWMD, 2008-2009**



### **Registered Customers**

The number of registered customers continues to grow. On January 14, 2009, the Receiver reported to the Court that the SWMD had 12,080 registered residential customers. By March

16, 2009, the number of registered residential customers had increased to 12,243. As of June 30, 2009, the SWMD had 12,379 registered customers.

### **Operations Improvements**

The SWMD has two types of trash collection routes. The first type—the majority of collections— are regular collections that use large trash trucks to collect trash at the curb. The second are the special collections or so-called “Babypacker Routes” that use small pickup trucks working in conjunction with a large trash truck to collect along narrow and otherwise hard-to-get collection points. Beginning in January 2009, the Receiver began coding these routes using the Global Positioning System (GPS) and defining the existing parameters of the current routes. This enabled the Receiver and the SWMD collection supervisor to reduce the number of regular trash truck routes per week from 45 to 30. We will continue to refine and possibly consolidate these and the Babypacker routes in the future.

As we have previously reported to the Court, when the Receiver arrived the SWMD was spending up to \$11,000 per day to rent heavy equipment for all of its facilities but primarily for the Ordod Dump. This past quarter, the SWMD collections section rented no such equipment, and only \$464.00 a day was spent for leased equipment used at the Ordod Dump.

During this quarter, we completed installation of the scales at the Ordod Dump and commenced weighing operations on May 18. With these scales, we are now, for the first time, able to gather accurate data on the actual volume of waste disposed by paying customers.

In order to maintain dust control at the Ordod Dump, the SWMD contracted for the services of a company with a water tanker truck to come out to the Ordod Dump on dry days and spray the roads on the site to prevent dust from intruding on the facility’s neighbors.

During this quarter, we also closed the Ordod Dump on Sundays. The decision to do so was directly related to modifications of the days of operations at the three Transfer Stations, beginning April 5. In response to suggestions from Mayors and residents that Sunday and Monday hours at the Transfer Stations would be more convenient for residents, the Transfer Stations and recycling facilities at Agat, Malojloj and Dededo are now open 9 am to 5 pm, Thursday through Monday, and closed on Tuesday and Wednesday. With the Transfer Stations opened on Sundays, the Receiver closed the Ordod Dump on Sundays beginning on May 17<sup>th</sup>. This change allows for a more efficient allocation of Ordod staff, enabling us to schedule more employees at the Dump on days with more business.

Residents continued to use the recycling facilities at the Agat and Dededo Transfer Stations/Convenience Centers and the Ordod Dump. Just recently Malojloj was added as a recycling drop off point for cardboard and glass. The SWMD transports glass bottles and jars to the Ordod Dump where they are stockpiled until enough volume has been accumulated for the material to be pulverized by heavy equipment and used as alternative daily cover. The glass compartments take a relatively long time to fill up but have amounted to a total of six (6) loads

during this quarter, four (4) of which came from the Dededo Transfer Station in 40 cubic yard containers totaling 160 cubic yards. The division takes cardboard to a local cardboard processor, who charges the SWMD \$3 per cubic yard for recycling disposal. The processor, Guahan Waste Control, bales the material and ships it overseas to users who turn it into new cardboard boxes. Between January 9 and June 30 of this year, 810 cubic yards of cardboard were delivered to the processor for recycling. The following table shows the number of loads of cardboard delivered during the period March - June.

**Table 1.  
Cardboard Recycling**

<b>Month</b>	<b>Pulls</b>	<b>Cubic Yards</b>
March	5	90
April	12	216
May	6	108
June	7	126
<b>Total</b>	<b>30</b>	<b>540</b>

When the Court appointed the Receiver there were 99 employees in the SWMD. There are currently 68 employees, a 31 percent reduction.

### **3. Trash Cart Rollout Plan**

#### **Overview and Background**

In the Receiver’s October 22, 2008 Report to the Court, we identified three options to achieve a sustainable residential solid waste management system in Guam:

1. Basic Services, including a cart system for trash collection and staffed, strategically located convenience and recycling centers, and metallic and bulky waste collection;
2. Curbside Recycling added to the Basic Services scenario; or
3. Mixed Waste Recycling, which includes the Basic Services scenario plus a Mixed Waste Processing facility to recover recyclable material.

The Court accepted our recommendation to implement the Basic Services option—the least costly among the three alternatives—which will enable Guam to build a more sustainable solid waste system that both meets the requirements of the Consent Decree and establishes a strong foundation from which to build more advanced programs, including Curbside Recycling, at a later date. This Basic Service option provides SWMD’s residential trash customers with rolling, covered trash carts and includes more efficient collection routing, a new customer registration drive, and new customer service tracking software. These changes, once implemented, will provide uniform collection, improve vector control, diminish risk of worker injury, reduce

collection cost, speed up service to customers, and enhance the accuracy of the SWMD's accounts database.

What follows is our update on the trash cart rollout plan based on activities performed since the Court hearing on April 16, 2009.

### **Update on Procurement**

The Receiver and SWMD have successfully completed procurement for the purchase of trash carts and cart lifters. The General Services Agency (GSA) released an Invitation for Bid for trash carts on March 18, 2009, and contractors submitted their bids on April 14, 2009. The Far East Equipment Company, LLC, a Guam-based company, was contracted to provide the carts. The carts and lifters will be manufactured by Toter, Inc., one of the largest and most experienced firms in the cart business. The Receiver has placed an initial order for 7,000 carts. The first installment of that order, two overseas container loads with approximately 700 carts, arrived on the island on June 29. Additional shipments will arrive throughout the summer. The total number of carts ordered for the initial registration drive will be continually adjusted to ensure that we have an adequate number to serve all of the customers who sign up for the service without acquiring a needless and costly inventory. Far East Equipment Company, LLC, will house and assemble these carts until the SWMD delivers them to its customers.

On April 6, 2009, GSA also released the procurement for the purchase of replacement trucks for the SWMD's special collections routes (what the SWMD's employees refer to as "Babypacker routes"). Bids were opened on April 17. In its January 14, 2009 Report to the Court, the SWMD projected that we would need up to five (5) Babypacker trucks. Upon further evaluation of the need, we have concluded that three (3) new Babypacker trucks will suffice. The SWMD signed a contract for these and received one (1) truck on July 5 from Far East Equipment Company. We will test this truck on the routes to assure that it meets the SWMD's needs before ordering the remaining two (2) vehicles.

Procurement for two trash trucks, paid for in large part with a grant from the Department of the Interior, was finalized on June 2 with the Far East Equipment Company; the trucks are expected to be delivered to Guam the week of July 6. The SWMD also ordered two (2) more recycling roll-off containers to be used at the Malojloj Transfer Station and as a switch-out for all the recycling facilities. These were put into operation on July 9.

The development of specifications for customer service software and Radio Frequency Identification Devices (RFID) required the Receiver to do a considerable amount of research. The Government of Guam's procurement rules require that procurement for such software package(s) be released as Information for Bids (IFB). However, after considering the complexity of the software system(s), the necessity for a two-phase bid, the need for integration with the Government of Guam's current billing system, and the activities that take place on the collection routes, the Receiver felt it necessary to package the procurement as a Request for Proposals (RFP). Taking these additional steps has prolonged the initial procurement schedule.

This customer service software RFP was released on April 10, 2009, with two teams responding. The winning team is led by Alpine Inc., based in Colorado Springs, Colorado, with Effician, Inc., based in Raleigh, North Carolina. Alpine has been in business since 1978.

### **Update on Routing**

In preparation for the registration drive, the Receiver undertook an analysis of collection routes so that SWMD staff will be able to tell customers during registration the specific day on which their trash will be collected. The first phase of the routing analysis has been completed. GPS data have been collected for all the trash truck routes. This data along with the expertise of SWMD personnel have allowed the SWMD to begin consolidating the number of trash truck routes each day from nine (9) trash routes down to six (6) with more consolidation expected to come. SWMD employees who are no longer needed on collection services will work on the registration and cart rollout process as well as future SWMD services, such as the bulky item collection by appointment.

### **Update on Registration**

The goal of the registration process is to facilitate a smooth transition to the cart-based system for trash collection and resolve long-standing deficiencies in the SWMD's customer database that have been a significant barrier to accurately billing residential customers. The registration process provides an opportunity to gather information from customers, necessary for service delivery and billing, and also to share information with our customers about SWMD services and waste reduction practices.

With the most recent procurements for trash carts, lifters, trucks and software now completed, we are planning for registration to begin this summer and continue through the end of the calendar year. We will work closely with each of the 19 Village Mayors to hold registration events at their offices at a minimum of twice during the designated registration week. Trained SWMD personnel will be stationed in these villages during specified times to greet and register residents, both existing SWMD customers and those who want to register for collection service. The SWMD representatives will go from village to village, beginning registrations in the south and proceeding north until they have visited each village. Having SWMD personnel registering residents in the villages, even for a specified time, will facilitate the registration process as we launch this new system. For those residents who miss their village's registration events, the SWMD offices will also have customer service representatives on hand to register people both during the weekdays between 8 am and 5 pm as well as on Saturdays between 9 am and 1 pm.

During registration, residents will complete a registration form to sign up for collection service and a trash cart, confirm their house and pickup locations on a map, and receive a brochure with information about SWMD services and waste reduction tips. The Receiver plans to provide the registration form on the Internet for individuals to fill out and bring to the registration sign-

up location. The SWMD will mail the registration form to current customers to fill out at their convenience before registering in person.

### **Timeline for Cart Rollout**

The timeline has continued to evolve as we have completed the procurement process. We have made some changes to the timeline for the trash cart rollout. The following timeline shows both the updated timeframe and items that have been completed thus far.

#### ***Phase 1. Infrastructure Development, December 2008 – April 2009***

Activities summary:

- Routing and training with GPS units, route mapping (completed)
- Cart procurement (completed)
- Procurement for new pickup trucks and lifters (completed)
- Evaluating the billing and customer service system and developing the procurement (completed)
- Initiating rate discussions with the Public Utilities Commission
- Customer meetings held (completed)
- Presentation for Mayors' Council; (completed)
- Development of public education materials in draft form (completed)

#### ***Phase 2. Deliveries and Implementation, May 2009 – September 2009***

Activities summary:

- Carts delivered to Guam (ongoing)
- Cart staging at the coral pit (eliminated)
- Cart contractor will inventory carts (ongoing)
- Truck deliveries, attaching lifters (ongoing)
- Delivery of products for billing and customer service implementation
- Training of customer service personnel on new billing products/software
- Media relations and publicity about the registration process (ongoing)
- Public education materials finalized, printed and delivered to SWMD (ongoing)

#### ***Phase 3. Registration and Service, July 2009 – December 2009***

Activities summary:

- Completion of registration form (completed)
- Mailing of registration forms to customers
- Development of registration procedures and sequence of villages to be registered
- Meetings with each of 19 Mayors a week before registration in his/her village
- Registrations in each village
- Cart deliveries approximately one week after registration is completed in each village
- Media relations to publicize cart deliveries

## **4. Community Outreach**

### **Overview**

During the quarter, the Receiver prepared materials to inform the community about the trash cart rollout. These materials included a registration form, a letter to SWMD customers, a brochure to be handed out during registration events, a cart hanger that will be distributed with the carts, a list of Frequently Asked Questions, and website postings. The final proofs of the brochure and cart hanger are included as Tabs 3 and 4.

### **Registration Form**

We have completed development of a new registration form that will allow the SWMD to collect the information it needs in order to integrate collection and billing with customer accounts. During registration events, residents will fill out the form and also identify their pick-up location on a map, which will then be recorded on the form. The form also will be posted on the Receiver website and residents with Internet access will be able to fill out the form online and download it to bring to a registration site.

### **Letter to SWMD Customers**

Once the customer service software is implemented, the SWMD will mail a letter to its current customers, providing an overview of the registration process and what changes customers can expect as the new trash cart system is implemented.

### **Brochure**

SWMD staff will give an eight-page full color brochure to residents when they register for trash collection service (Tab 3). This brochure provides information about the resident's trash collection day, how to use the new cart, the ban on materials, where materials that do not belong in the trash cart can be recycled or disposed, ways to reduce waste in the home, and contact information for SWMD Customer Service. A Receiver representative showed a draft of the brochure to small groups of Guam residents during community meetings in March, and many of their comments and suggestions were incorporated in the final, printed version of the brochure.

### **Cart Hanger**

We have developed a cart hanger that will be attached to the handle of each trash cart during delivery (Tab 4). This hanger gives information about the trash collection day, how to use and care for the new cart, and what to do with materials that cannot be disposed of in the cart. The cart hanger has a small magnet on the back so it can be posted on a refrigerator door for future reference. Like the brochure, the final printed cart hanger was developed with input from residents during the community meetings in March.

## **Frequently Asked Questions (FAQs)**

Since we do not have ample space in the brochure and cart hanger to address all of residents' likely questions about the new service, we have developed a list of more than 25 questions and answers about the new service, covering registration, cart delivery, collection, special situations, fees, the materials ban, recycling, and future services. These FAQs will be handed out during registration events and also posted on the Receiver website:

[www.guamsolidwastereceiver.org](http://www.guamsolidwastereceiver.org).

## **Website**

The Receiver website continues to be an important tool that enables residents to receive up-to-date information about the Receiver's activities. We have prepared an expanded SWMD section of the site that includes information about the cart rollout schedule and plan, including a link to the registration form, brochure, cart hanger and other relevant information. The new pages will be posted when the registration schedule is finalized.

## **Media Relations**

In addition to producing and distributing the above-mentioned materials to inform the public about the trash cart rollout, we plan to issue press releases and updates to print and broadcast media about the schedule for registration events and the registration process.

## **5. Financial Issues and Capital Funding**

### **Financial Issues**

#### ***Overview***

During the quarter that ended June 30, 2009, the Receivership continued to address both the short-term issues of operating the SWMD and the long-term issues of financing the Consent Decree projects. In this section we will discuss the following areas:

1. Operating expenses for the SWMD for FY 2009 through May 31, 2009 (the most recent available)
2. Revenue billings and collections for the SWMD for FY 2009 through May 31, 2009 (the most recent available)
3. Estimated final results for FY 2009
4. Fiscal integrity assessment

5. Status of the Citibank trustee account
6. Capital expenditures to date
7. Capital funding
  - a. Section 30-backed bonds
  - b. USDA assistance
8. Implementing the new fee structure
  - a. Short-term changes in fees
  - b. Long-term rate structure
9. Military letter of intent

***Operating Expenses***

Operating expenses for the first eight months of FY 2009 continued to be substantially under budget for the SWMD. This clearly reflects the significant improvements that have been achieved in the efficiency of operations and in the condition and ongoing maintenance of equipment.

Payroll and benefits for the first eight months of FY 2009 continue to run about 28 percent under budget, reflecting the significant increases in productivity and the resulting reductions in staffing that have occurred during the Receiver's tenure at the SWMD.

Non-personnel expenditures were under budget by almost 58 percent for the first eight months of FY 2009. This is primarily attributable to the drastic reduction achieved in rental equipment and better control of other non-personnel spending. Total spending for the first eight months is more than 40 percent below the approved budget. Table 2 summarizes the expenditures for the first eight months of the year.

Table 2.

<b>Solid Waste Management Division Budget v Spending FY 2009</b>				
Item	Approved Budget	Budget October thru May	Spending October thru May	% over (under) Budget
<b>Personnel Expenses:</b>				
Regular Salaries	\$2,530,220	\$1,686,813	\$1,258,950	-25.4%
Overtime/Special Pay	\$50,000	\$33,333	\$16,704	-49.9%
Benefits	\$853,016	\$568,677	\$382,514	-32.7%
Sub-total	\$3,433,236	\$2,288,823	\$1,658,168	-27.6%
<b>Non-Personel Expenses:</b>				
Travel	\$0	\$0	\$0	N/A
Contractual Services	\$1,992,186	\$1,328,124	\$690,684	-48.0%
Supplies and Materials	\$500,000	\$333,333	\$79,467	-76.2%
Equipment	\$10,000	\$6,667	\$0	-100.0%
Other Expenditures	\$84,416	\$56,276	\$20,859	-62.9%
Capital Outlay	\$151,597	\$101,065	\$0	-100.0%
Sub-total	\$2,738,199	\$1,825,465	\$791,010	-56.7%
<b>Grand-total</b>	<b>\$6,171,435</b>	<b>\$4,114,288</b>	<b>\$2,449,178</b>	<b>-40.5%</b>

### ***Revenue Billings and Collections***

While expenses are well within budget for the year, revenue continues to lag significantly behind amounts billed and the amounts actually collected for the comparable eight-month period in the previous year. The total amount billed for the eight-month period is approximately 55 percent of the amount billed during this period in FY 2008. We believe this to be primarily related to the ban on commercial haulers disposing certain recyclable materials at the Ordot Dump and the decision to stop billing residential customers who have not responded for an extended period of time.

With respect to revenue actually collected, we believe the ban on certain recyclable materials is responsible for the reduction in collections from commercial haulers. Residential collections are stable when compared to the previous fiscal year. Table 3 outlines the amounts billed and collected for the FY 2009 year compared to the same months in FY 2008.

Table 3.

<b>SWMD Revenue Billed / Collected</b>						
<b>October 1 through May 31</b>						
<b>FY 2008 and 2009</b>						
Customer Class	FY 2008			FY 2009		
	Billed	Collected	%	Billed	Collected	%
Commercial	\$ 2,653,540	\$ 2,872,312	108.2%	\$ 1,469,410	\$ 1,746,672	118.9%
Residential	\$ 1,740,568	\$ 776,571	44.6%	\$ 969,570	\$ 770,927	79.5%
Government	\$ 41,370	\$ 33,202	80.3%	\$ 10,960	\$ 2,990	27.3%
Other	\$ 40,985	\$ 122,846	299.7%	\$ 9,865	\$ 19,544	198.1%
<b>Total</b>	<b>\$ 4,476,463</b>	<b>\$ 3,804,931</b>	<b>85.0%</b>	<b>\$ 2,459,805</b>	<b>\$ 2,540,133</b>	<b>103.3%</b>

Implementation of the new fee structure and the resulting revenue projections are discussed later in this section.

**Estimated Final Results for FY 2009**

The final results for the entire fiscal year will not be known for several months. However, we can estimate these results with reasonable accuracy by projecting current trends in both expenses and revenue through the end of the current fiscal year. Table 4 shows FY 2009 results using this approach.

Table 4.

<b>Solid Waste Management Division Operating Account</b>	
<b>Estimated Fund Balance</b>	
<b>30-Sep-09</b>	
<b>Unaudited</b>	
<b>Elements of Fund Balance</b>	<b>Amount</b>
Fund Balance @ 9/30/08	\$ 86,374
Estimated Revenue FY 2009*	\$ 4,060,593
Estimated Expenses FY 2009**	\$ 3,673,769
Excess (Deficit) FY 2009	\$ 386,824
<b>Estimated Fund Balance @ 9/30/09</b>	<b>\$ 473,198</b>

\* Estimated FY 2009 Revenue assumes implementation of the recommended commercial fee of \$100 per ton on 7/1/09.  
 \*\* Estimated expenses assume continuation of the current spending trends for balance of FY 2009.

The beginning fund balance is from the FY 2008 audited financial statements of the Government of Guam. The estimated revenue for FY 2009 is reduced from the estimate made in our Report of April 16, 2009, due to the decision we made to phase in the fee increase as

requested by the Guam Chamber of Commerce and the commercial haulers. Based on these projections, we can reasonably estimate that the fund balance of the SWMD will increase to approximately \$473,000 on September 30, 2009.

### ***Fiscal Integrity Assessment***

The financial integrity of any government enterprise is heavily dependent on its data systems and internal controls. During the reporting period, we initiated work designed to evaluate the internal controls and financial systems of the SWMD. To begin this work we utilized the services of an outside CPA with extensive governmental auditing experience. We also reviewed prior audits and reports addressing these issues. The initial report of this effort is submitted to the Court as Tab 5. Its recommendations include:

1. Steps for improving the process of error correction between the SWMD and the Department of Administration (DOA)
2. The need to establish and enforce a write-off policy for uncollectable accounts
3. Strengthening controls over the payment process within the SWMD
4. Process improvements to strengthen control over customer accounts
5. Improved cash handling procedures at the Transfer Stations and the Ordot Dump
6. Enhancements to the weigh scale process being implemented at the Ordot Dump
7. Strengthening controls over fuel purchases
8. Improvements in the application of payments to the accounts of commercial haulers
9. Other improvements in the internal controls of the SWMD

In addition, the assessment also examined the relationship between the accounting and tipping fee system and the changes in these systems that may be needed to implement the new Customer Information System, currently being purchased by the Receiver for the SWMD. The assessment also recommends that the SWMD implement a new accounting system that will better address the needs of the Division and its customers. Such an undertaking will need careful transition planning and coordination with the GovGuam accounting system and significant training for those who will be primary users of the new system. We will keep the Court and the Government fully informed as we further develop appropriate steps to implement these recommendations.

### ***Status of the Citibank Trustee Account***

During the quarter ending June 30, 2009, activity in the account included receipt of court-ordered deposits, interest earnings, payments and transfers ordered by the Court, and payments to contactors. In addition, retainage on the payments made to contractors is set aside to ensure that it remains available for payment to the contractors when all of their

contract obligations have been completed and release of the retainage is appropriate. Table 5 provides the Court with a summary of all transactions that have occurred in the Citibank Trustee Account since it was established.

Table 5.

<b>Citibank Transaction Report</b>				
1/6/2009 through 6/30/2009				
Date	Transaction	Description	Memo	Amount
1/5/2009		Beginning Balance		\$ -
1/6/2009	Deposit	Deposit By The Government Of Guam	Deposit of GovGuam in compliance with Order of District Court	\$ 20,000,000.00
1/30/2009	Deposit	Interest Earned		\$ 21,380.84
2/13/2009	Payment	Gershman, Brickner & Bratton, Inc	Order of District Court to reimburse GBB for Building Permit Fee	\$ (64,828.25)
2/27/2009	Deposit	Interest Earned		\$ 23,008.45
3/23/2009	Deposit	Deposit By The Government Of Guam	Deposit of GovGuam in compliance with Order of District Court	\$ 3,974,800.00
3/30/2009	Deposit	Deposit By The Government Of Guam	Deposit of GovGuam in compliance with Order of District Court	\$ 993,700.00
3/31/2009	Deposit	Interest Earned		\$ 26,816.92
4/6/2009	Deposit	Deposit By The Government Of Guam	Deposit of GovGuam in compliance with Order of District Court	\$ 993,700.00
4/13/2009	Deposit	Deposit By The Government Of Guam	Deposit of GovGuam in compliance with Order of District Court	\$ 993,700.00
4/22/2009	Payment	TG Engineers, PC	Task Order #1	\$ (36,841.60)
4/30/2009	Deposit	Interest Earned		\$ 32,469.17
5/6/2009	Payment	District Court Account At The Bank Of Hawaii	Funds transferred to the Bank of Hawaii per Court Order	\$ (993,700.00)
5/13/2009	Payment	Maeda Pacific Corporation	Progress payment #1	\$ (179,015.31)
5/29/2009	Deposit	Interest Earned		\$ 33,162.67
6/16/2009	Payment	Maeda Pacific Corporation	Progress payment #2	\$ (1,247,831.10)
6/30/2009	Deposit	Interest Earned		\$ 31,080.39
<b>BALANCE 6/30/2009</b>				<b>\$ 24,601,602.18</b>

Table 6 provides the Court with an accounting of the retainage being held for vendors paid from the Citibank Trustee Account.

Table 6.

<b>Retainage on Trustee Account Payments</b>				
As of 6/30/2009				
Date	Description	Memo	Amount	
<b>Maeda Pacific Corporation</b>				<b>\$ (158,538.49)</b>
5/13/2009	Maeda Pacific Corporation	Retainage in connection with 5/13/09 payment	\$ (19,890.59)	
6/16/2009	Maeda Pacific Corporation	Retainage in connection with 6/16/09 payment	\$ (138,647.90)	
<b>TG Engineers, PC</b>				<b>\$ (4,093.53)</b>
4/22/2009	TG Engineers, PC	Retainage in connection with 4/22/09 payment	\$ (4,093.53)	
<b>Total Retainage Held.....</b>				<b>\$ (162,632.02)</b>

When the retainage is considered, the Trustee Account has a balance of \$24,438,970.16 available for future Consent Decree obligations

## **Capital Funding**

### **Overview**

During the quarter ending June 30, 2009, the Receiver team was heavily involved in activity to secure capital funding for the Consent Decree projects. Toward that end, we both monitored and assisted the Government of Guam in its effort to secure bond financing and loan/grant financing through the United States Department of Agriculture (USDA).

### **Section 30-Backed Bonds**

Financing the Consent Decree projects has been the focus of much discussion and debate. In our October 2008 Report, we recommended Section 30-backed bonds as the most appropriate method of financing the projects. The Court, the Governor and several financial experts for the Government and the United States supported this recommendation, and, after much debate, the Government has now successfully secured capital funding at reasonably attractive rates.

While the Court's Order in this matter required the Government to obtain at least \$120 million prior to June 30, 2009, the Government used the opportunity presented by a significant improvement in market conditions to secure funding for the entire estimated cost of the Consent Decree projects, including the closure of the Ordot Dump. The financing was executed in a professional and skillful manner and we applaud the Governor and his fiscal team for the excellent results they achieved.

It is also significant that the total cost of the debt service and other costs estimated in our October Report to the Court were very close to the actual results of the sale. Table 7 compares the actual bond sale with the estimates we provided the Court last year.

Table 7.

<b>Section 30 Backed Bonds</b>		
Comparison of Estimate and Actual Sale (Selected Statistics)		
Bond Statistic	October 2008 Estimate	Actual Bond Sale
True Interest Cost (TIC)	6.041697%	5.867517%
Net Interest Cost (NIC)	6.043614%	5.780461%
All in TIC	6.085433%	5.954753%
Average Annual Debt Service	\$ 14,412,276.03	\$ 15,459,943.13
Maximum Annual Debt Service	\$ 14,552,338.50	\$ 15,673,287.50
Last Maturity	December 1, 2041	December 1, 2034

The higher annual debt service cost reflects the decision to reduce the maximum maturity of the bonds. It is not clear to us whether this change is the result of a management decision or a

market-driven requirement. In any case, the change saves significant money in total debt service expense but adds to the annual cost during the life of the bonds. We do not quarrel with the change, but it does put upward pressure on customer rates during the life of the bonds.

As part of our monitoring effort in this matter, we requested Public Financial Management, Inc., (PFM) to review the bond transaction and provide us with a Fair Market Value Opinion Report. PFM's opinion confirms that the results of the bond sale were positive and within fair market ranges at the time of the pricing of the bonds. The full PFM Report is provided to the Court in Tab 6.

In its Order of April 14, 2009, the Court directed that "The trustee appointed by the Government in connection with the bonds to finance the Consent Decree projects shall work cooperatively with Citibank, N.A., in its role as Trustee for the Receiver throughout the period of construction." We have worked with the Government's finance team, including bond counsel, to assure that the Court's directive is effectively implemented. We are pleased to report that a process has been developed that is acceptable to the Receiver and which we believe will properly effectuate the Court's directive.

Under the approach agreed to in this matter, all bond proceeds in the Citibank Trustee Account will be segregated into a sub-account. This will begin upon the Court's approval and will result in the transfer of the \$20,000,000 received from the Government of Guam from the proceeds of the loan received from the Bank of Guam in January of this year. Using the procedures already approved by the Court for disbursements from the Citibank Trustee Account, we would continue to pay all bond-eligible expenses of the Consent Decree from the new sub-account. Using a requisition form developed by the Government's bond counsel, when the balance of the sub-account goes below \$10 million, we will request that the account be replenished from bond proceeds held by the bond trustee in the bond trustee's construction account. Along with the requisition, we will provide documentation of the expenditures for which we seek reimbursement. The requisition and the documentation will be reviewed by bond counsel and upon bond counsel's agreement that the expenditures are appropriate, the Citibank sub-account will be replenished. We will submit appropriate changes to the Citibank disbursement procedures to implement this new process in the near future.

#### ***USDA Assistance***

During the period covered by the Report, the Receiver team spent significant time assisting the Government with its application to USDA for a loan/grant to finance the Consent Decree projects. Our efforts included:

1. Several conference calls and meetings with Government and USDA Officials
2. Extensive assembling of environmental documentation as well as additional documentation to demonstrate that past work meets USDA requirements

3. Additional financial analysis and explanation to USDA about our work to date and the basis of our construction cost estimates
4. Providing the USDA with the plans and specifications for the new landfill at Layon

It is our understanding that if the Government is successful in obtaining the USDA loan/grant, it will ask the Court to allow the USDA loan/grant to replace a portion of the Section 30-backed bonds already in place to finance the Consent Decree projects, thus allowing the Section 30 bonds to be used for other Government priorities. It does appear that the USDA loan/grant has the potential to lower the cost of debt service for Solid Waste Management Division customers. We have not, however, had the opportunity to review all of the documents and requirements that would be placed upon the solid waste management system if USDA financing is approved and becomes a significant part of the financing package of the Consent Decree projects. While it is our presumption that approval of the USDA loan/grant would be a positive development for SWMD customers, an in-depth review of both the benefits and potential problems that would result from such a change in the financing of the Consent Decree projects would need to be undertaken before we could make a recommendation to the Court in this matter.

***Implementing the New Fee Structure***

The key to financing and maintaining the solid waste management system is a fee structure capable of providing adequate resources to pay for the operating cost of the system; pay the debt service for the capital projects of the system; and provide the reserves needed to replace and update equipment, properly close and maintain closed landfill cells and to open new cells. We have previously made recommendations to the Court for an interim fee structure. The Court has approved implementation of the interim fee structure in concept and specifically approved implementing the new commercial fee on July 1, 2009. As directed by the Court, we will petition the Public Utilities Commission for a permanent fee structure after the interim fees are implemented and we have sufficient data from the new scale system to support our petition.

Because we still lack sufficient scale data to support a permanent fee structure, we determined that a phased implementation of the new commercial fee structure is appropriate. Accordingly, after consultations with the business community and the commercial haulers, we are phasing in the new commercial tipping fee as shown in Table 8:

Table 8.

<b>Interim Commercial Tipping Fees</b>	
<b>Effective Date</b>	<b>Rate/ton</b>
Current	\$ 72.60
July 1, 2009	\$ 100.00
January 1, 2010	\$ 128.00
July 1, 2010	\$ 156.00

Phasing in the new fee will enable the business community and the commercial haulers to better adjust their businesses to the new structure and allow the Receiver to develop more detailed data to support a permanent fee structure while maintaining the ability to adjust the interim fees if the data provide sufficient support for adjustments.

Implementation of the new fee structure for residential customers will be effective with the rollout of the new cart system and customer service system. The implementation schedule is discussed elsewhere in this Report, but assuming that the cart rollout is complete by the end of November, Table 9 shows our recommended phased-in approach for monthly residential collection fees:

Table 9.

Interim Residential Collection Fees		
Effective Date	Rate/month	
Current	\$	10.00
December 1, 2009	\$	17.00
May 1, 2010	\$	24.00
November 1, 2010	\$	30.00

The implementation of the new fee will occur at the beginning of the month following completion of the rollout of the new cart system. We currently anticipate that this will be December 1, 2009. Should completion of the rollout of the new cart system be delayed beyond November, the above schedule will be changed to reflect the new dates. Table 10 shows the phase-in schedule for the interim rates for customers who use the Transfer Stations:

Table 10.

Interim Self-Drop Fees for Transfer Stations				
Effective Date	Self-Drop (Under 3 CY)		Self-Drop (Over 3 CY)	
	Current	\$	2.50	\$
December 1, 2009	\$	4.00	\$	8.00
May 1, 2010	\$	5.50	\$	11.00
November 1, 2010	\$	7.50	\$	15.00

**Long-Term Rates**

As the interim rates are fully implemented and we collect sufficient data on the waste actually coming to the Ordod Dump, a long-term permanent rate structure must be adopted. This process will be overseen by the Public Utilities Commission and will be driven by objective data supporting the system’s requirements in the following areas:

1. Operating cost – The system must have a rate structure that fully supports the operating cost of the system.
2. Debt service – The system must be able to cover all the debt service required by the financing of the Consent Decree projects.
3. Reserve for equipment replacement – The system must set aside each year sufficient funds to assure that equipment can be replaced when its useful life has expired.
4. Reserve for opening future cells – The system must set aside each year sufficient funds to assure that future cells of the new landfill are opened in a timely manner that allows for uninterrupted services when the operating cells have exhausted their capacity.
5. Reserve for cell closure and post-closure maintenance – The system must set aside each year sufficient funds to assure that cells are properly closed and maintained in accordance with applicable environmental standards when they have exhausted their capacity.

The most important factor that will govern future rates is the volume of waste from paying customers over which the fixed cost of the system may be spread. The absence of an accurate method to weigh the waste has been a significant problem in determining how much waste is actually disposed in the Ordot Dump. Fortunately, the new scale system is complete and we now have our first accurate measure of the waste. Table 11 provides this data for four full weeks in June.

Table 11.

<b>Actual Solid Waste Delivered to the Ordot Dump</b>					
June 1 through June 27, 2009					
Description	6/1 to 6/6	6/8 to 6/13	6/15 to 6/20	6/22 to 6/27	Weekly Average
	Net Wt.	Net Wt.	Net Wt.	Net Wt.	Net Wt.
Commercial Solid Waste (Compacted)	752,751 lb	564,860 lb	816,460 lb	714,580 lb	712,163 lb
Commercial Solid Waste (Non-Compacted)	1,045,520 lb	963,420 lb	1,167,760 lb	1,170,940 lb	1,086,910 lb
Agat Transfer Station (Non-Compacted)	24,160 lb	25,300 lb	25,960 lb	25,460 lb	25,220 lb
Dededo Transfer Station (Non-Compacted)	61,760 lb	89,120 lb	79,960 lb	75,360 lb	76,550 lb
Malojloj Transfer Station (Non-Compacted)	22,720 lb	11,300 lb	19,780 lb	20,800 lb	18,650 lb
Ordot Transfer Station (Non-Compacted)	43,020 lb	43,840 lb	35,700 lb	43,720 lb	41,570 lb
Mayors' Solid Waste (Non-Compacted)	47,740 lb	33,080 lb	63,640 lb	49,540 lb	48,500 lb
GovGuam Solid Waste (Non-Compacted)	240,240 lb	60,560 lb	104,840 lb	160,780 lb	141,605 lb
Residential Packer Trucks SWMD	703,980 lb	655,940 lb	711,000 lb	721,640 lb	698,140 lb
<b>Grand Total:</b>	<b>2,941,891 lb</b>	<b>2,447,420 lb</b>	<b>3,025,100 lb</b>	<b>2,982,820 lb</b>	<b>2,849,308 lb</b>
Weekly Tons of MSW	1,471	1,224	1,513	1,491	1,425
Average Daily Tons of MSW	245	204	252	249	237
Projected Annual Tons of MSW	76,489	63,633	78,653	77,553	74,082

While a much longer period of time will be needed to ensure we have data that adequately takes into account the seasonal and other variations that will certainly occur, the data do provide a meaningful picture that is not likely to change in a significant way.

Over the course of our work for the Court, we have provided estimates on the quantity of waste disposed using a high (98,640 annual tons) and low range (77,563 annual tons). The June data support the low end of the range.

Assuming the low end of the range continues to be supported by the scale data, participation by the Military in the new system becomes even more important than it would otherwise have been, to ensure stable customer rates going forward. The estimates the Military has provided to the Receiver project that the Military will produce approximately 55,000 tons of waste annually for disposal by 2014. This represents about 41 percent of the waste stream on Guam using the low end of our estimated range for non-military waste.

Tab 7 includes projections of fully loaded rates (i.e., rates that are sufficient to cover all operating cost, debt service and required reserves) throughout the life of the Layon Landfill assuming no participation by the Military. Tab 8 includes the same calculations assuming full Military participation beginning in 2013. Table 12 shows a summary of the impact of the Military’s participation on both residential and commercial fees through 2022. While the Military would not participate in the SWMD’s residential collection service, Military participation in the Layon Landfill has a significant stabilizing effect on residential rates because over 40 percent of residential rates are for disposal tipping fees.

Table 12.

<b>Impact of Military Participation on Residential Collection and Commercial Tipping Fees</b>						
<b>FY 2012 to FY 2022</b>						
Full Cost						
Year	Residential Fees/Month		Commercial Tipping Fees/Ton			
	Without Military	With Military	Without Military	With Military	Savings	
FY 2012	\$ 30.00	\$ 30.00	\$ 156.00	\$ 156.00	\$ -	
FY 2013	\$ 34.50	\$ 30.00	\$ 179.40	\$ 156.00	\$ 23.40	
FY 2014	\$ 39.68	\$ 30.00	\$ 206.31	\$ 156.00	\$ 50.31	
FY 2015	\$ 43.64	\$ 30.00	\$ 226.94	\$ 156.00	\$ 70.94	
FY 2016	\$ 48.01	\$ 30.00	\$ 249.64	\$ 156.00	\$ 93.64	
FY 2017	\$ 52.81	\$ 30.00	\$ 274.60	\$ 156.00	\$ 118.60	
FY 2018	\$ 52.81	\$ 31.20	\$ 274.60	\$ 162.24	\$ 112.36	
FY 2019	\$ 52.81	\$ 32.45	\$ 274.60	\$ 168.73	\$ 105.87	
FY 2020	\$ 52.81	\$ 33.75	\$ 274.60	\$ 175.48	\$ 99.12	
FY 2021	\$ 52.81	\$ 35.10	\$ 274.60	\$ 182.50	\$ 92.10	
FY 2022	\$ 52.81	\$ 36.50	\$ 274.60	\$ 189.80	\$ 84.80	

It should be noted that the rate calculations used here do not estimate growth in the solid waste produced on Guam and do not include any assumptions about the implementation of waste prevention and diversion strategies (i.e., waste reduction and recycling). We essentially make the assumption that diversion will offset growth in the solid waste produced on Guam that would otherwise have to be disposed of at the Layon Landfill.

### ***Military Letter of Intent***

In keeping with the discussion of the importance of the Military's participation, it is clear that the Military wishes to become a customer of the new system. The Military has indicated a willingness to sign a letter of intent and begin the process of negotiating a long-term service agreement. The draft letter of intent is currently pending with the Military and the Government of Guam.

## **6. Next Steps**

Specific tasks to be undertaken during the next quarter (July 1 – September 30, 2009) include:

### **Continue with Layon Landfill design, permitting and construction**

#### ***Design***

- Provide design support to the permitting, procurement and construction efforts
- Finalize alternatives for leachate treatment in coordination with GWA/GEPA/EPA
- Design leachate treatment improvements for the Inarajan WWTP
- Develop support documents for the acquisition of land for the two sewer pump stations

#### ***Permitting***

- Provide responses to GEPA and EPA in the preparation of the Draft Solid Waste Facility permit
- Provide support to the public comment review period for the Draft Solid Waste Facility permit and Draft Air Permit
- Submit building and environmental permit application packages to the agencies for the Access Road and Utilities project and the Landfill Systems and Entrance Facilities project
- Attend public hearing for the Draft Solid Waste Facility permit in September

#### ***Procurement***

- Issue a bid procurement for the Access Road and Utility project
- Issue a bid procurement for the Landfill Systems and Entrance Facilities
- Issue an Request for Proposal for the procurement of construction management services
- Issue an Request for Proposal for the procurement of the groundwater well installation and monitoring project

#### ***Construction***

- Continue to monitor the progress of the existing earthwork project

- Initiate construction of the groundwater well monitoring system
- Initiate construction of the Access Road, Utilities and Entrance Facilities that are not ancillary to the waste management units.

### **Implement the trash cart-based system**

- Initiate interim commercial and residential rates
- Complete delivery of carts, trucks and lifters
- Take delivery of products for billing and customer service
- Train customer service personnel on new billing products/software
- Conduct media relations and publicity about the registration process
- Mail registration form to current customers and post on website
- Develop registration schedule and sequence of villages to be registered
- Hold meetings with each of 19 mayors a week before registration in his/her village
- Distribute public education materials
- Hold registrations in each village
- Deliver carts to customers about one week after registration
- Conduct media relations to publicize cart deliveries

### **Financial Issues and Capital Funding**

- Continue to carefully monitor expenditures and revenue
- Develop a plan for implementing the recommendations of the Fiscal Integrity Assessment
- Continue careful management of the Citibank Trust Account
- Develop modifications for the Court approved disbursement procedures to implement the reimbursement procedure outlined in the Section 30 Bond Supplemental Indenture
- Establish the Citibank sub-account and transfer the bond proceeds into the account
- Continue to assist the Government of Guam in its effort to acquire financing through the USDA
- Carefully monitor the scale data to ensure that the appropriate fees are charged and that trends in the data that may affect long-term rates are properly considered in setting future rates
- Advance/execute letter of intent with the Military; begin to develop Service Agreement