

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:



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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 for the quarter ended March 31, 2010, and to outline the Receiver's recommendations for achieving compliance with the Consent Decree. As an integral part of this Report, the Receiver is also submitting the attached presentation entitled "Quarterly Report for Receivership for the Government of Guam, Department of Public Works, Solid Waste Management Division" (see Tab 2).

Introduction

This Report coincides with the two-year anniversary of work for the Receivership, and it is appropriate to briefly review what has been accomplished during these two years before turning to an in-depth discussion of the quarter that ended March 31, 2010. The major achievements of the Receivership include:

Solid Waste Management Division Operations

1. Improved trash collection services, which have dramatically reduced customer complaints
2. Reduced number of trash routes from nine to six with ten working trucks, instead of the one working truck available at the start of the Receivership
3. All trash routes are now completed in one shift instead of three
4. Repaired vehicles and purchased new equipment to support operational needs
5. Reduced the number of SWMD employees by 37 percent as operations were reorganized and streamlined for more efficient organization and delivery of services
6. Achieved significant savings as a result of dramatic reductions in leased equipment and personnel
7. Dramatically improved working conditions and morale for SWMD employees with working showers and kitchen facilities; provided safety shoes and uniforms
8. Registered 17,309 customers (as of March 31) for new cart-based trash collection services, obtaining important data needed for accurate billing and service delivery
9. Distributed 95-gallon trash carts to approximately 16,000 customers; customers who did not receive carts will receive them in April 2010 after a new shipment arrives

10. Improved management and control of fire, dust, odor and stormwater at the Ordot Dump operations, benefiting neighbors and workers; no fires in the two years the Ordot Dump has operated under the Receivership
11. Implemented an interim filling plan and closely tracked air space volume usage at the Ordot Dump
12. Installed a scale at the Ordot Dump so that all trash disposed there is now accurately weighed
13. Implemented a ban on materials at the Ordot Dump that has increased recycling and extended capacity of the Ordot Dump
14. Added recycling at the Ordot Dump and transfer stations; adjusted hours at these facilities to better serve residents

Layon Landfill Construction, Design and Permitting

15. Obtained the Solid Waste Facility and the Air Pollution Control permits—a major milestone in the 23-year-long process of closing the Ordot Dump and building a modern solid waste disposal facility on the island
16. Completed earthwork for Cells 1 and 2 at the Layon Landfill site
17. Completed the Hydrogeologic Assessment, which has been approved by Guam EPA
18. Conducted a leachate treatment feasibility study
19. Reached an agreement with Guam Waterworks Authority (GWA) for the treatment of leachate at the Inarajan wastewater treatment plant
20. Procured contractors and executed contracts for all construction work needed to complete the Layon Landfill
21. Began construction of the Layon Landfill, including the access road, landfill entrance facilities, liner systems and utilities
22. Kept construction on schedule to assure opening of the Layon Landfill before the capacity of the Ordot Dump is exhausted

Financial and Capital Funding

23. Developed and achieved Court approval of the estimated capital funding needs to implement Consent Decree projects
24. Assisted the Court and the Government of Guam in achieving full funding of the required capital funding through sale of Section 30-backed bonds
25. Established Receiver Trustee Accounts to manage the capital funding and assure proper control of funds and timely payment of contractors and vendors
26. Phased in new fees for commercial and residential trash customers
27. Achieved SWMD operating expenses that were consistently under budget
28. Implemented systems incorporating new technology needed to manage customer accounts and assure revenue to pay for operations and required capital projects
29. Assisted the Government of Guam and the U.S. Department of Agriculture (USDA) regarding a USDA loan/grant for the Layon Landfill
30. Negotiated a Letter of Intent with the Military for the Military's use of the Layon Landfill

31. Established a website (www.guamsolidwastereceiver.org) and continued regular communications with the media and public

These accomplishments would not have been possible without the support of the District Court, the hard work and dedication of the employees of the SWMD, and the cooperation of the Governor and his Administration. We are pleased that during our two years of work for the Court, significant advances have been made that will benefit the people of Guam.

We now turn our attention to a more in-depth discussion of the work completed in the quarter ended March 31, 2010. Since our last quarterly report in January, we have continued working to bring Guam into compliance with the Consent Decree. There has been significant progress in construction of the Layon Landfill. During this quarter, the earthwork within the Cells 1 and 2 was completed and accepted, and the area was turned over to the lining systems contractor to commence construction of the entrance building and subdrain installation. The contractor for the access road and utilities initiated major earthmoving activities and continues to procure materials for the utility improvements. Drilling for the installation of groundwater well monitoring has begun, and the Receiver prepared a scope of work for design improvements and wastewater treatment plant monitoring. During this quarter, the Receiver also initiated planning for the work to be performed at the Ordot Dump for its closure.

The SWMD's operations continued to improve, with increases in productivity and efficiency and a downward trend in complaints even with the transition to the new trash cart-based collection system. In January, the Receiver concluded four months of registration events for the new trash collection system in Guam's villages, followed by cart delivery. These events, which increased the number of registered SWMD customers from 12,589 to 17,309, enabled the SWMD to obtain accurate customer data for billing and service delivery. In the financial area, operating expenses at this point in FY2010 were nearly 27 percent under budget, and we can now report that the estimated cost of the Layon Landfill is significantly below earlier estimates due to the bidding process and overall management of the Consent Decree projects. We continue to assist the Government of Guam and USDA as they work to finalize the USDA loan/grant, and we now have preliminary data that enable us to update our estimates of rate calculations for commercial and residential customers. We have continued to work with the Military to advance an agreement for their participation as a customer of Guam's solid waste system.

In this Report, we present the following updates for January through March 2010:

- 1. Layon landfill construction, construction management, design and permitting**
- 2. Operations of the Solid Waste Management Division**
- 3. Trash cart rollout**
- 4. Contract management and procurement**
- 5. Financial issues and capital funding**
- 6. Next steps**

1. Layon Landfill Construction, Construction Management, Design and Permitting (January – March 2010)

Construction

Earthworks

During this quarter, the earthwork within Cells 1 and 2 was completed and accepted. Following acceptance, the area was immediately turned over to the liner systems contractor, Black Construction Corp. (BCC), during the third week of February. The earthwork contractor, Maeda Pacific Corp. (MPC), then moved out of the area to continue working toward substantial completion on the rest of the site. The Receiver authorized MPC to perform additional work to address the extensive rock exposed in the cell and pond 3A areas during the previous quarter and extended the contract period to 373 days (March 4, 2010) to account for weather delays and the changed excavation conditions at the site.

MPC's work was determined to be substantially complete on March 20, 2010, 16 days beyond the contractual deadline. There is still minor work that needs to be completed, which does not affect the construction schedule, such as hydroseeding for turf establishment, security fencing, and stormwater management features that MPC must complete before final completion of their work can be achieved.

While this initial phase of construction has been delayed and has reduced the amount of flexibility in the overall schedule, it has not affected the overall project schedule with respect to the opening of the Layon Landfill. The Receiver will continue to work with the construction manager and MPC to complete remaining work and prepare as-built and final project documentation in compliance with the specifications and contract documents.

Access Road and Utilities

The contractor, Core Tech International (CTI), initiated major earthmoving activities in this quarter and continues to procure materials for the utility improvements. Since the issuance of the Notice to Proceed on December 11, 2009, CTI has fully mobilized its operations and has established its site office and a laydown yard to receive materials. CTI is focusing its construction work activities on the earthwork cut and fill operations for the new roadway portion of the access road with particular emphasis on the Talofofa Falls Resort road intersection to have in place a working intersection for traffic control prior to the onset of the wet season. This work includes survey and staking, clearing and grading, importation of fill materials for subgrade and subbase layers, excavation, fill placement, compaction and associated quality control testing.

CTI continues to work with the Mayor of Inarajan to facilitate the work and provide site safety and safe working conditions for the surrounding community along the road areas. A particular concern we have emphasized is managing traffic and construction activity to avoid increased risk to the safety of school children and residents at the existing bus stop located along Dandan Road and throughout the construction zone. In addition to concrete jersey barriers set up between the road and bus stop, a CTI flag man is stationed at the bus stop area during the morning, noon and afternoon pickup and drop-off

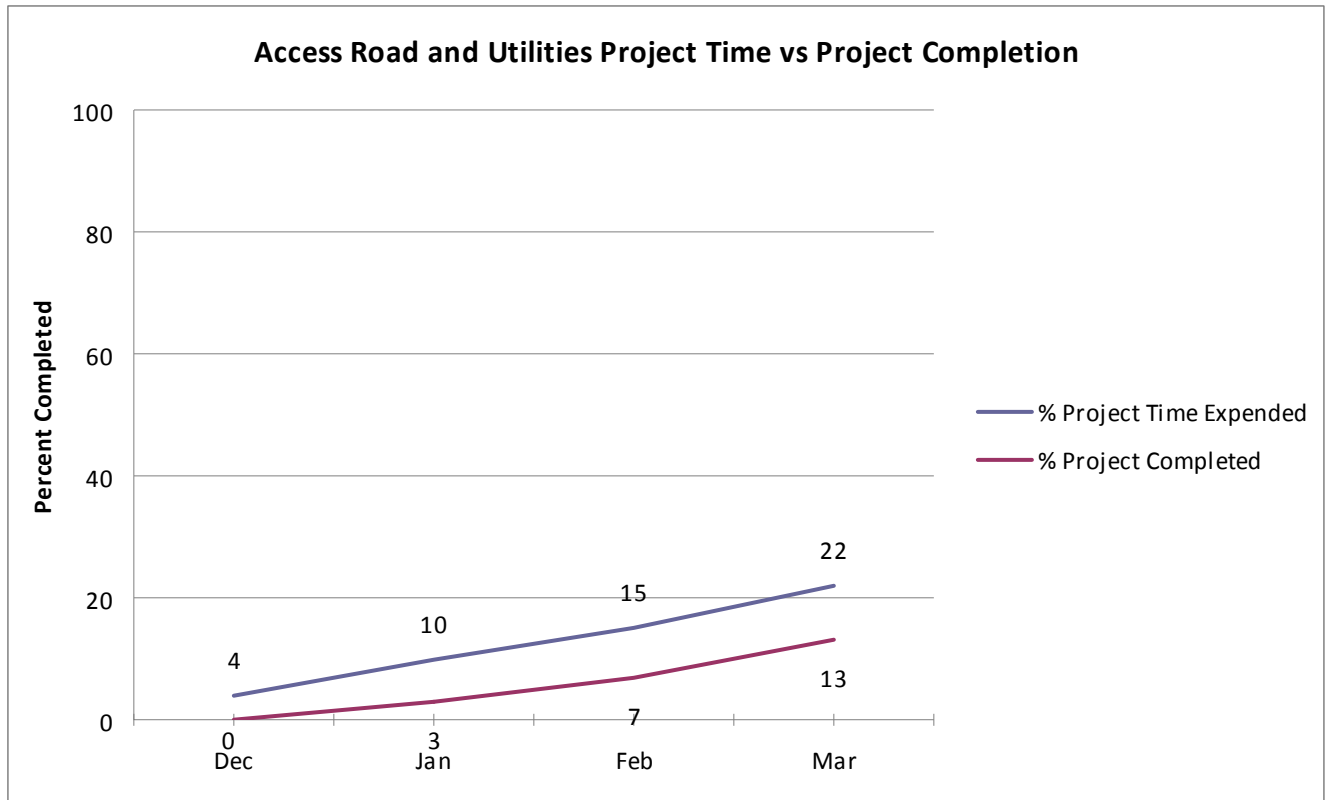
times for school children. The bus stop relocation has been accelerated to address this safety concern. CTI continues to manage the site in compliance with environmental controls for this project.

CTI has worked diligently to procure materials that meet the required specifications for the project as well as develop shop drawings for the components of the utility systems. At this stage of the project, considerable time is expended in an effort to coordinate successfully with the Engineer-of-Record (TG Engineers, PC) and the construction management team (Winzler & Kelly) to properly implement the project plans and specifications. CTI personnel attend regular weekly construction meetings conducted by the construction management team to maintain coordination and progress with the schedule.

Throughout this quarter, CTI continued to make progress with their construction schedule and remain on track with the overall Consent Decree schedule. Figure 1 below presents their progress.

Figure 1

Construction Progress: Access Road and Utilities



Landfill Entrance Facilities and Cells 1 and 2

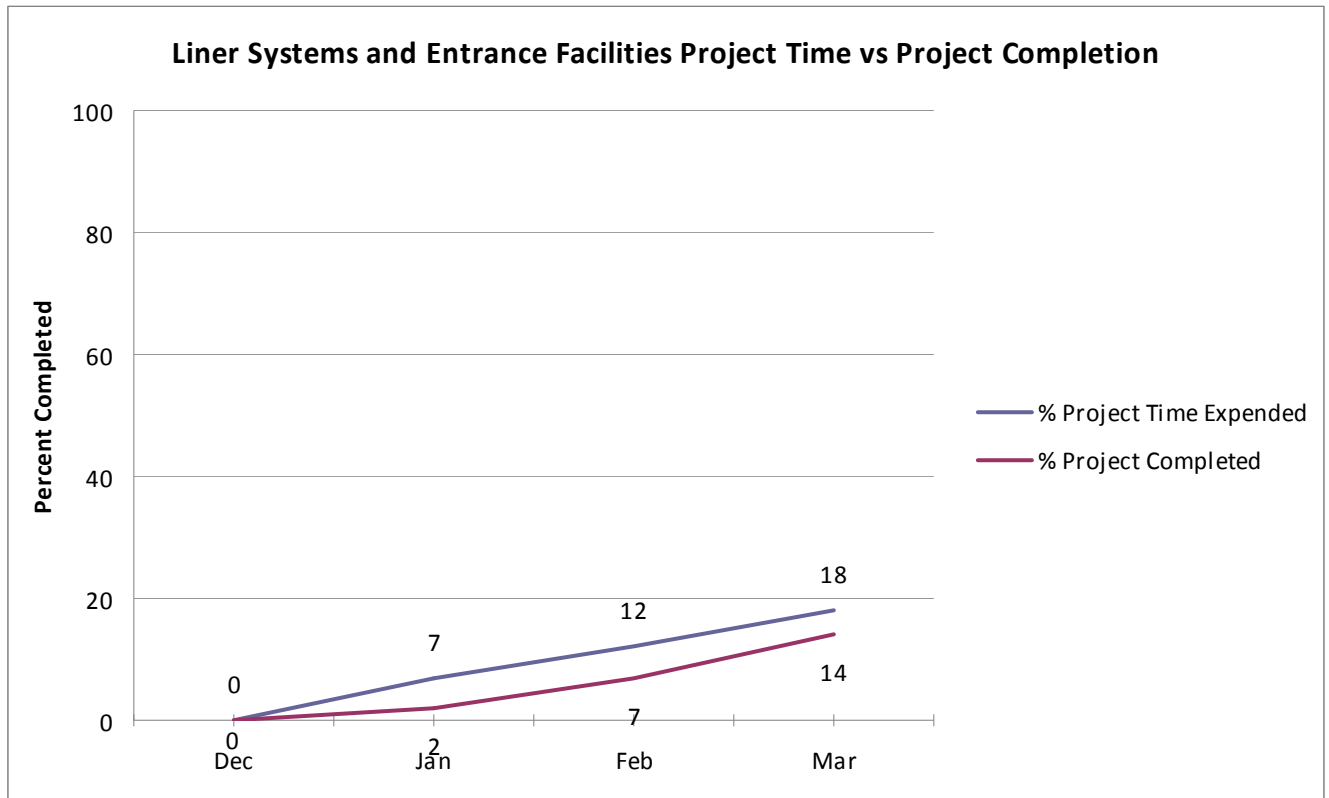
The contractor, Black Construction Corporation (BCC), has initiated major earthmoving activities, entrance building construction and subdrain installation within Cells 1 and 2. Since the issuance of the Notice to Proceed on December 29, 2009, BCC has fully mobilized its operations and has established its site office and a laydown yard to receive materials. Following the acceptance and turnover of the cell

area, BCC has focused its earthmoving activities on the perimeter road extension, entrance area facilities and trenching work for the subdrain in Cells 1 and 2. BCC has also begun to prepare the soil to be used as the low permeability soil layer over the subdrain when the subdrain is completed. BCC has installed the majority of the subdrain piping and gravel drainage material and is preparing for the installation of the geocomposite drainage layer.

BCC has worked diligently to procure materials that meet the required specifications for the project as well as develop shop drawings for the components of the liner systems. At this stage of the project, considerable time is expended in an effort to coordinate successfully with the Engineer-of-Record (TG Engineers, PC) and the construction management team (Winzler & Kelly) to properly implement the project plans and specifications. BCC personnel attend regular weekly construction meetings conducted by the construction management team to maintain coordination and progress with the schedule.

Throughout this quarter, BCC continued to make progress with their construction schedule and remain on track with the overall Consent Decree schedule. Figure 2 below presents their progress.

Figure 2
Construction Progress: Landfill Entrance Facilities and Liner Systems, Cells 1 and 2



Figures 1 and 2 show the percent of work that is physically complete relative to the project time expended at the end of March 2010. At this early stage in the project, a majority of the efforts by the contactors is spent on mobilization to the site, establishing project environmental and physical controls, and arranging material submittals and procurement. Therefore it is reasonable for a lag to exist between the work completed and the project time expended. In fact, in the latter half of March, the rate of progress on physical work complete exceeded the rate of project time expended. Overall, the contractors are on track with their respective project construction schedules.

Groundwater Well Installation and Monitoring

As part of the construction effort, the consultant, EA Engineering Science and Technology (EA), initiated drilling work during this quarter for the installation of groundwater monitoring wells in compliance with the GEPA well installation permits. The wells will be used over the next year to establish baseline groundwater conditions around the site and will become part of the permanent groundwater monitoring system for Cells 1 and 2 of the landfill. The data will be applied to generate the Detection Monitoring Program that will be used when the landfill is in operation. In addition, several surface water monitoring stations will be established and monitored to evaluate baseline conditions of the nearby surface waters. During this quarter, in order to commence the well installations, EA applied and obtained the well installation permits and revised the Site Specific Groundwater Monitoring Plan (SSGWMP) to address comments provided by both GEPA and EPA earlier in the permitting process. The consultant will continue to work with all parties as wells are installed, developed and sampled over the next 12 months, providing regular reporting to the Receiver, GEPA and EPA.

Construction Management

The construction management consultant, Winzler & Kelly (W&K), is tasked with the oversight of both CTI and BCC construction activities. W&K is now fully mobilized at the site with offices and a staffed and working materials testing laboratory. For the quarter, W&K has performed the following tasks to establish project controls:

1. Plans and specifications review
2. Daily and weekly reporting procedures and format
3. Weekly construction management meetings and documentation
4. Request for Information (RFI) and submittal management procedures
5. Pay request submittal and review procedures
6. Construction Management Plan
7. Construction Quality Assurance Plan

Integral to the W&K team is the landfill systems specialist, Vector Engineering, which has also provided field staff and management critical to the review of material submittals and conformance testing that is a significant portion of the construction management effort during this stage of the work.

The Construction Management Plan and Construction Quality Assurance Plan are provided in this report as Tabs 3 and 4.

Design

Construction Design Support Services

During the quarter, as work on Consent Decree projects advanced, emphasis has continued to shift to construction activities. Design services provided by the Engineer-of-Record, TG Engineers, PC, continue to support construction RFIs, submittal review, design clarifications or revisions to improve ease of construction, operation and maintenance, as well as address changed conditions encountered at the site. The Engineer-of-Record design team has consulted on a significant number of RFIs and design clarifications at this point in the construction work.

Pump Station Conditional Use Processing

During the quarter, the Conditional Use applications for the two lots acquired for the new sewer line pump stations were processed through the Department of Land Management and were addressed at the April 1, 2010, meeting of the Application Review Committee. The next step is a public hearing, which we expect to be scheduled within a few days, followed by final consideration by the Guam Land Use Commission at its next regular meeting after June 1, 2010.

Inarajan Wastewater Treatment

In consultation with the WWTP consultant, the Receiver prepared a scope of work for the design improvements and WWTP influent and effluent monitoring. This scope of work is being finalized with Shaw Environmental, Inc., our design consultant, under contract to provide design services. In addition to the WWTP monitoring, the marine water quality monitoring is anticipated to commence in the next quarter in accordance with the Leachate Treatment and Feasibility Study conducted during the previous quarter.

Ordot Dump

During this quarter, the Receiver initiated planning for work to be performed to close the Ordot Dump by developing a draft scope of work for the environmental and hydrogeologic investigation that will characterize and establish baseline conditions at the site. The scope of work is included as Tab. 5. The information generated from this work will serve to support the basis of design and anticipated remedial actions as part of the closure efforts.

The Receiver continued to implement the interim filling plan and closely track air space volume use at the Ordot Dump. As of the date of this Report, there are 476 days remaining until the Ordot Dump must be closed.

Permitting

Monitoring Well Installation Permits/Site-Specific Groundwater Monitoring Plan

The primary efforts in permitting during this quarter focused on the application for and approval of the monitoring well installation permits coupled with the review and approval of the revisions made to the Site Specific Groundwater Monitoring Plan (SSGWMP). These permits and plan approval were acquired so that the monitoring well network could be installed.

Solid Waste Facility and Air Pollution Control Permits for Layon Landfill

The conditions of this permit are now in effect with respect to the construction phase of the work activities. The Receiver regularly informs GEPA and EPA of construction work progress by providing updated, detailed overall construction schedules and two-week look-ahead sub-schedules, which are valuable tools on a week-to-week basis. This information helps both GEPA and EPA schedule regular site visits to check progress and monitor environmental conditions.

In addition to the schedules, the Receiver continues to conduct teleconferences with GEPA and EPA representatives every two weeks to report project status and discuss regulatory issues as work proceeds.

Building and Environmental Permits for Construction

During the quarter, the contractors and construction management team continued to observe the conditions of the building and environmental permits during the construction activities, including archaeological monitoring, environmental protection plan implementation, erosion and sediment control, stormwater management and monitoring, and air pollution control. Concurrent with the building permits, the building contractors and construction management consultants continue to monitor and manage environmental permit conditions for all the construction activities.

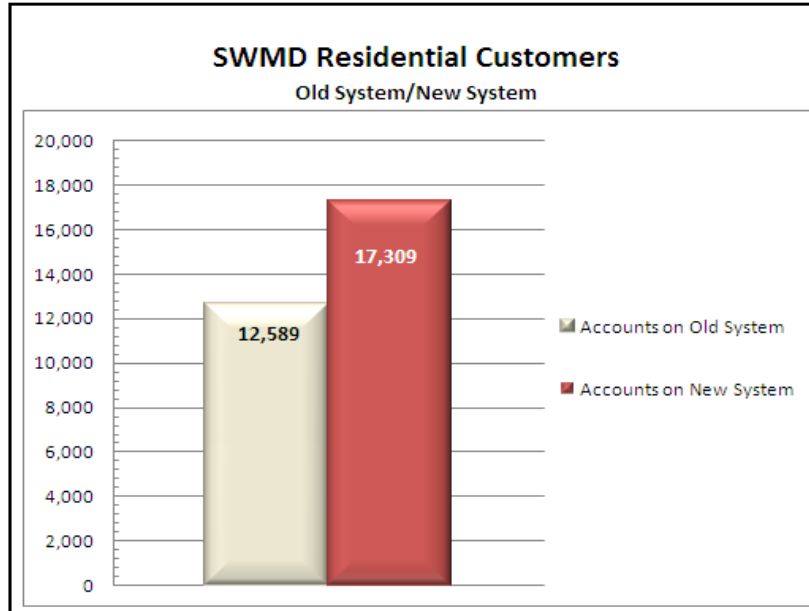
2. Operations of the Solid Waste Management Division (January – March 2010)

Customer Service

The SWMD significantly increased its customer base during the quarter. During the registration period for the new cart-based collection system, both new and previous customers were required to register. As of March 31, 2010, we have registered a total of 17,309 customers, a 37 percent increase over the number of registered customers (12,589) before the registration period began. Figure 3 shows the number of registered customers under the old system versus the number of registered customers under the new cart-based collection system.

Figure 3

Registered Customers: Old System vs. New System



As a result of the registration events, the customer service representatives have been working long hours to serve the needs of customers who have signed up for the new residential cart-based collection program. Many of these newly registered customers have new service locations for the collection crew to find in order to pick up the trash each week. The majority of the missed collections typically occur during the first few weeks of a new service because a driver cannot find the location or the customer fails to put the trash out before the collection crew goes by the house. Yet, even with all of this new activity, the number of complaints was slightly less in the most recent months: 555 for January through March 2010 versus 587 for January through March 2009.

Operations

Residential Collection

Residential collection crews are servicing needs of customers in the new wheeled and covered cart collection program. The crews leave the SWMD compound at 4 am, five days a week, with two, rather than three, employees making up a crew. The reduction of the size of the crew from three to two is made possible by implementation of the new cart-based trash collection system. The residential collection crews have been instructed not to collect any trash bags placed outside the carts unless there is a yellow trash sticker on the bag. When customers register, SWMD provides four free tags each year to properly registered customers and sells additional yellow stickers for \$4 per tag to customers who may need them.

In some neighborhoods, residential collection crews have found village streets where tree branches hang down too low for the trash trucks to pass. When this happens, the SWMD notifies the Mayors of

these villages who then are supposed to trim these low-hanging branches. Unfortunately, there is often a delay in trimming, which causes delays in picking up the customers' trash.

Ordot Dump

At the Ordot Dump, the SWMD employees continue to maintain cover and adequate compaction, and clean up around the Dump's perimeter. The employees at the Ordot Dump work hard to keep odors and debris to a minimum although both, at times, become problems. The SWMD continues to have mechanical problems with a few large pieces of equipment, including the compactor and the track loader. We are currently in the process of purchasing a new compactor. Delivery time is approximately 24 weeks from the time of purchase. This new compactor will be later used at the Layon Landfill when operations commence. The SWMD fleet repair contractor, Fleet Services, continues to provide quick service for this equipment both when a maintenance issue occurs and in preventive maintenance. These are, however, older pieces of equipment used in a harsh environment where mechanical problems are likely to occur.

Recycling

Residents continue to use the recycling facilities at the Agat, Malojloj and Dededo Transfer Stations/Convenience Centers and at the Ordot Dump. The SWMD transports glass bottles and jars to the Ordot Dump where they are stockpiled until there is enough volume for the material to be pulverized by heavy equipment and used as alternative daily cover. During this last quarter, the SWMD processed two rolloff containers full of glass bottles at Ordot Dump. Each container holds about 35 cubic yards of material.

The SWMD also takes cardboard to a local cardboard processor, Guahan Waste Recycling, who charges the SWMD \$3 per cubic yard for recycling service. The processor bales the material and ships it overseas to users who remanufacture it into new cardboard boxes. At the time this Report was prepared, the SWMD had taken 18 cubic yards of cardboard material to the processor since the Receiver's last quarterly report.

Guahan Waste Recycling, reports that a total of 1,572 tons of cardboard were recycled through their operations during the quarter that ended March 31, 2010. Unfortunately, Guam EPA has not reported on the other recycling processors on Guam so an accurate assessment of this important recycling activity for the entire community is not available.

SWMD Administration

In our last report to the Court, we reported that the Department of Public Works compound, where the SWMD is located, is filled with junk vehicles, old tires and leaking barrels. This situation creates a serious health hazard for both the public and the employees of the SWMD. At the January court hearing, the Court ordered the Department of Public Works to clean up this material. While we are aware of efforts underway to identify funding and contractors to clean up the area, to date, there is no visible difference in this situation at the Department of Public Works compound.

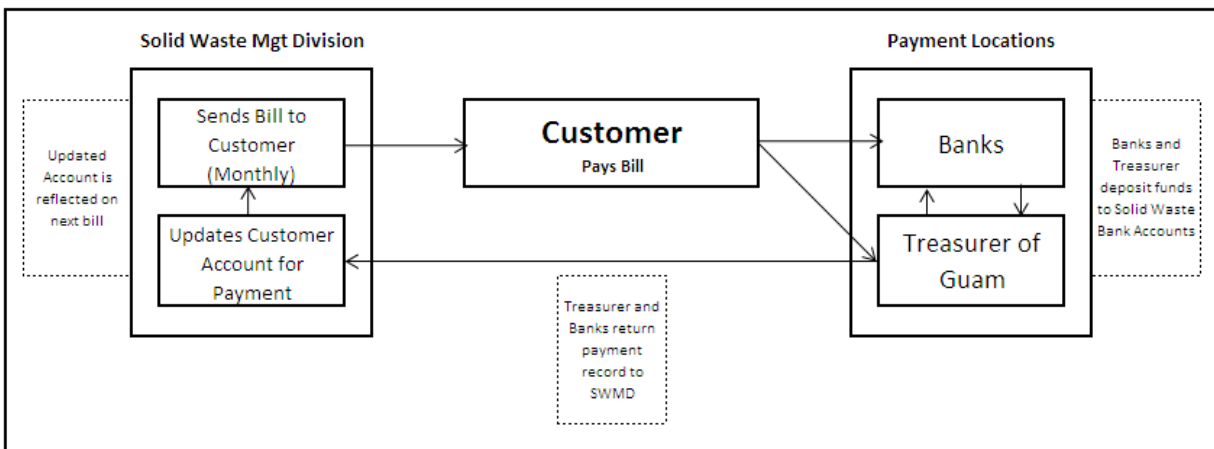
As was previously reported to the Court, the Government of Guam's contractor for the old tipping fee system, Data Management Resources, LLC (DMR), abruptly severed ties with the SWMD, creating a

number of serious problems for implementation of the new customer service system. While we have successfully worked through most of these problems, we have been unable to resolve a problem that prevents customers from paying the solid waste fee online. Under the old system, customers could pay their monthly bill online and have the payment credited to their account. Efforts are currently underway to work with DMR through the Department of Administration to make the changes that will allow customers to make online payments to the new Alpine System. We will keep the Court informed of our progress in addressing this matter.

During this quarter, the SWMD began to receive the paid invoices from the Treasurer of Guam. When payments are made to a bank, the bank sends the paid invoices to the Treasurer, allowing us to receive the paid invoices from the banks through the Treasurer as well. Each weekday, the paid invoices are picked up from the Treasurer by a SWMD employee and the information is used to update the customer’s account in the new billing system. Customers can pay their monthly bill at several locations (e.g., banks, Treasurer of Guam or the SWMD). The Treasurer of Guam places all payments into a dedicated solid waste account, and SWMD employees record the payments in the new billing system. Figure 4 illustrates the flow of payments.

Figure 4

Flow Chart for Payment Processing



Personnel

When the Court appointed the Receiver in March 2008, there were 99 employees in the SWMD. Currently, there are 62 employees of the SWMD. The productivity of the SWMD’s employees has been significantly increased, allowing them to provide service in a timely manner to all of the system’s customers. As is discussed later in this Report, the SWMD is currently using a temporary services contract to augment staffing during the trash cart rollout process.

3. Trash Cart Rollout (January – March 2010)

Results of Trash Cart Rollout

Between September 2009 and the end of January 2010, the SWMD conducted a registration drive in each village on the island. SWMD employees held registration events at the Mayors' offices where village residents could sign up for the new trash collection service. The SWMD also kept its offices open on Saturdays to provide further opportunities for residents to register for the new trash collection service. The registration events in the villages were, for the most part, well attended, with the SWMD sometimes registering more than 500 people in an evening. SWMD employees worked hard to keep the lines moving, providing courteous support and guidance to customers signing up for the service. These registration events typically lasted two consecutive nights in each village, although we held registration in Dededo and Yigo for five days each because of the greater population in those villages.

The result of this registration drive is both an increase of 37 percent in SWMD registered customers and more accurate information for billing and servicing purposes. Table 1 shows the number of customers by village who have signed up for the new collection service versus the number of customers in each village registered in the old system. As the Court may recall, when the Receiver was appointed on March 17, 2008, the SWMD had poor customer service records, resulting in an estimated 4,000 customers who were not billed or paying for the weekly services. As a result of the registration process, we now have accurate billing and account location data for all SWMD customers.

Table 1**Results of Trash Cart Rollout: New vs. Old Registration Numbers**

Village	Customers on Old System	Customers on New System	Difference
Umatac	64	83	+ 30%
Merizo	154	205	+ 33%
Inarajan/Malojloj	97	207	+ 113%
Talofofu	279	519	+ 86%
Yona	672	958	+ 43%
Ordot/Chalan Pago	552	847	+ 53%
Sinajana	391	616	+ 58%
Agana Heights	323	483	+ 50%
Hagatna / Aniqua	89	51	-57%
Asan / Piti	536	630	+ 18%
Santa Rita	368	603	+ 64%
Agat	290	585	+ 102%
Mongmong / Toto / Maite	515	715	+ 39%
Barrigada	1040	1,411	+ 36%
Mangilao	971	1,419	+ 46%
Tamuning / Tumon/ Harmon	730	748	+2%
Dededo	3,509	5,232	+ 49%
Yigo	2,009	1,997	-1%
TOTAL:	12,589	17,309	+ 37%

Customers continue to register for the new service, so the number of customers is expected to increase. As previously noted, the new system will significantly increase accountability to ensure that only paying

customers continue to be served. To the extent that this results in some customers being terminated for non-payment, the total number of new customers will be off-set to some degree.

Cart Deliveries and Inventory

The SWMD initially ordered 7,000 95-gallon trash carts. Based on the results of the registration process, on December 3, 2009, the SWMD placed a second order for 9,000 additional carts. These carts arrived on island the first half of February 2010 and were immediately delivered. A third order for 3,000 additional carts is expected to arrive by the end of April and will be delivered to customers immediately thereafter.

SWMD delivery crews spent substantial time preparing maps of each village, working with customers' personal drawings of their homes' locations and driving around the village to prepare for the registration events and deliveries. The SWMD also implemented a low-tech, but efficient, method to expedite the delivery of carts by giving each new customer a brightly colored, letter-size paper with a unique number. Customers placed these numbers where they could be seen from the road to enable delivery crews to easily see the proper location to leave a cart. Once the delivery crew dropped the cart at the customer's location, they digitally encoded the Radio Frequency Identification (RFID) tag with the customer's physical address and billing data.

The integration of this RFID tag with billing and collection information has allowed the SWMD to recognize carts placed in front of homes that should not be there. It has also allowed the SWMD to quickly determine the proper location of the cart. We expect this information to be very useful for ensuring that carts remain in their proper location and that only customers who pay their bills in a timely fashion will continue to receive service.

Temporary Labor

The registration events demanded significant staff resources over a short period of time. The SWMD decided not to hire full-time employees for this short burst of activity and instead procured the services of a temporary labor agency, Pacific Human Resources, Inc., which has furnished qualified workers who supplemented the SWMD's staff during the registration period. Since the registration events have concluded, the hours of these temporary workers have been reduced and will be gradually phased out after the cart deliveries have been completed.

4. Contract Management and Procurement (January – March 2010)

Procurement activities during the quarter were less time consuming since the major contracts needed to complete the Layon Landfill are now in place.

The approval of the contract for construction management services, which was still pending in our last report, was obtained on February 4, 2010.

Table 2 provides a complete update of each contract currently in place, the amounts spent to date on these contracts, and the status of the work. Direct employee contracts, payments to the Government of Guam and one-time expenditures are not included in the table but are reported elsewhere in this Report.

Table 2

Consent Decree Contracts as of March 31, 2010				
Contractor	Purpose of Contract	Amount of Contract	Citibank Trust Account Expenditures	Work Status
Maeda Pacific Corporation	Layon Landfill - Construction of Landfill Operations Road and Mass Grading for Cells 1 and 2	\$ 10,906,339	\$ 7,281,674	Near Completion
Core Tech International	Layon Landfill - Construction of Access Road and Utility Improvements for Community	\$26,800,000	\$ 300,425	On-going
Black Construction Corporation	Layon Landfill - Construction of Entrance Facilities and Cells 1 and 2	\$20,477,000	\$ 459,605	On-going
EA Engineering, Science & Technology, Inc.	Groundwater Quality Monitoring Services	\$ 857,750	\$ -	On-going
TG Engineers, PC	Layon Landfill - Design and Engineering Services	\$ 8,351,233	\$ 931,886	On-going
Winzler & Kelly	Construction Management Services for Consent Decree Projects	\$ 3,875,284	\$ -	On-going
Shaw Environmental, Inc.	Technical Assistance	\$ 305,347	\$ -	On-going
Pacific Human Resources Services, Inc.	Temporary Staffing Services for the Solid Waste Management Division	Indefinite	\$ 160,989	On-going
Alpine Technology, Inc.	Customer Service Software	\$ 215,468	\$ 144,238	On-going
Far East Equipment	New Trucks, Roll-off containers and Trash Carts	Gov Guam Purchase Orders	\$ 1,615,641	On-going
G4 Security Services of Guam	Security Services for the Solid Waste Compound	Indefinite	\$ 16,904	Closed
Pacific Island Security Agency	Security Services for the Solid Waste Compound (replaced G4 Security Services of Guam).	Indefinite	\$ 12,796	On-going

Note: Expenditures do not include retainage. All contracts are inclusive of change orders approved through March 31, 2010.

Tab 6 provides the Court with a complete list of approved Change Orders for the contracts listed in Table 2. Tab 7 provides a detailed listing of all payments made under these contracts.

Preliminary activity on the next phase of work began during the quarter with the drafting of a scope of work for consultants to investigate the environmental damage resulting from operation of the Ordot Dump and to recommend the necessary remedial action to be included in the plans to close the Ordot Dump. We intend to circulate this draft to Guam EPA, U.S. EPA, the Government of Guam and others suggested by regulators and the Government to assure that the scope of work is comprehensive and sufficient, providing a sound foundation for the important work of properly closing the Ordot Dump. This draft scope of work is included in Tab 5.

Other upcoming procurement activity will include:

- Selection of a qualified firm to design the closure plan for the Ordot Dump;
- Selection of a qualified operator for the Layon Landfill; and
- Procurement, through either construction or contract, of a properly located and licensed commercial transfer station to consolidate waste for transport to the Layon Landfill.

5. Financial Issues and Capital Funding (January – March 2010)

Financial Issues

Overview

The financial condition of the SWMD continued to improve during the quarter that ended March 31, 2010. This section will provide the Court with an update on the following:

1. Operating results for the SWMD for FY 2010
2. Capital budget requirements
3. Status of the Citibank trustee accounts
4. Status of the USDA loan/grant
5. Preliminary outline of rate recommendations to be presented to the Public Utilities Commission
6. Update on the volume of waste
7. Status of discussions with the Military as a potential customer of the new system

1. Operating Results for the SWMD for the Period October 1, 2009, to February 28, 2010

Expenditures for the SWMD for FY 2010, through February 28, 2010, were again well under the budget for the period. Total expenditures for the first five months of FY 2010 were 27 percent under budget. Table 3 presents the operating results for FY 2010.

Table 3

Solid Waste Management Division			
Operating Budget			
FY 2010			
October 1, 2009 to February 28, 2010			
Item	Approved Budget to Date	FY 2010 Actual Spending* to Date	% over (under) Budget
Personnel Expenses:			
Regular Salaries	\$771,841	\$610,333	-20.9%
Overtime/Special Pay	\$108,922	\$93,304	-14.3%
Benefits	\$209,788	\$318,227	51.7%
Sub-total	\$1,090,551	\$1,021,864	-6.3%
Non-Personnel Expenses:			
Travel	\$0	\$0	N/A
Contractual Services	\$1,187,542	\$719,768	-39.4%
Supplies and Materials	\$209,742	\$149,953	-28.5%
Equipment	\$27,500	\$8,744	-68.2%
Other Expenditures	\$62,673	\$31,370	-49.9%
Capital Outlay	\$66,667	\$0	-100.0%
Sub-total	\$1,554,124	\$909,835	-41.5%
Grand-total	\$2,644,675	\$1,931,699	-27.0%
*Does not include encumbrances			

Table 4 summarizes both the revenue billed and the actual cash collections for the period.

Table 4

SWMD Revenue Billed / Collected			
October 1 through February 28			
FY 2010			
Customer Class	Billed	Collected	%
Commercial	\$ 2,956,605	\$ 2,438,063	82.5%
Residential	\$ 483,150	\$ 438,603	90.8%
Government	\$ 13,371	\$ 2,552	19.1%
Other	\$ 188,359	\$ 479	0.3%
Total	\$3,641,485	\$2,879,698	79.1%
Note: Amount collected is on a cash basis.			

Table 5 provides a concise summary of the bottom-line results for FY 2010 through February 28, 2010.

Table 5

Solid Waste Management Division	
Fund Balance	
28-Feb-10	
(Unaudited)	
Elements of Fund Balance	Amount
Fund Balance @ 9/30/09	\$ (182,596)
Revenue FY 2010	\$ 2,667,998
Expenses FY 2010	\$ 1,429,955
Excess (Deficit) FY 2010	\$ 1,238,043
Fund Balance @ 2/28/10	<u>\$ 1,055,447</u>

Source: Department of Administration. Revenue is on accrual basis.

2. Capital Funding Requirements

From the beginning of the Receivership, the need for adequate capital funding for the required Consent Decree projects has been of paramount importance. In our Report dated October 22, 2008, we outlined our estimates of the capital funding needed to complete the Consent Decree projects. As the Court will recall, these estimates were made in the late summer of 2008 before the current recession and when oil prices were at historically high levels and there was serious concern that they would continue to climb. We assured the Court and the Government of Guam that we would work to ensure maximum competition in the bidding process to reduce the actual cost to the Government and the customers of the SWMD.

We are pleased to report that the bidding process and our overall management of the projects have reduced the total expected cost of the Layon Landfill by as much as \$21 million, with additional savings possible as these projects are completed.

Table 6 outlines in detail the revised estimates described above. All of the contracts awarded by the Receiver have been through a competitive process that met all of the requirements of Guam law and sound procurement practice. There have been no protests or objections filed in any of the procurement processes we have administered to date. While savings have been significant in three out of the four contracts, the most significant savings occurred in the first contract awarded for the landfill operations road and mass grading for Cells 1 and 2. This contract was bid during a time of worldwide concern about the economy and thus produced significant interest in this job and aggressive bids that resulted in very substantial savings.

Table 6

Layon Landfill and Related Consent Decree Projects					
As of March 31, 2010					
Capital Budget Item	Approved Budget	Revised Budget			Savings
		Actual Contract Amount	Reserve for Change Orders	Revised Estimate	
Layon Landfill	\$ 81,022,300	\$ 55,637,000	\$ 7,274,039	\$ 62,911,039	\$ 18,111,261
Construction Management - Layon	\$ 7,316,400	\$ 3,875,284	\$ 1,550,114	\$ 5,425,398	\$ 1,891,002
WWTP Expansion & Leachate Sewer and Pre-Treatment - Layon	\$ 11,025,000			\$ 11,025,000	\$ -
Landfill Equipment	\$ 6,380,000			\$ 5,217,415	\$ 1,162,585
Transfer Station/HHWF	\$ 5,505,000			\$ 5,505,000	\$ -
Transfer Station Equipment	\$ 2,440,000			\$ 2,405,000	\$ 35,000
Operating Equipment	\$ 5,941,400			\$ 5,941,400	\$ -
Total New Construction/Equipment	\$ 119,630,100	\$ 59,512,284	\$ 8,824,153	\$ 98,430,252	\$ 21,199,848

As shown in Table 6, there have been several change orders approved for the contract for the landfill operations road and mass grading for Cells 1 and 2. These change orders are described in Tab 6 of this Report. While this contract is essentially complete, the other contracts are in the early stages of work and no approved change orders to date. It is essential, however, that we maintain the ability to fund change orders as they are required. Several potential change orders are under discussion as of the date of this Report.

It is also vital to understand that the estimates of the cost to fund the closure of the Ordot Dump are preliminary and subject to change based on environmental and mitigation studies yet to be undertaken and the future bids for the work to be done. In addition, funds will be required to establish a reserve for post-closure care for the Ordot Dump. The amount of the needed reserve will be determined as a part of the work to complete the closure design for the Ordot Dump. The savings outlined above should be reserved to assure adequate funding for needed change orders and as a contingency for the closure of the Ordot Dump.

3. Status of the Citibank Trustee Accounts

The Citibank Trustee Accounts have continued to operate efficiently, with a high level of cooperation from all parties. Both accounts have had increased activity during the quarter that ended March 31. Tabs 8 and 9 include all of the transactions that have occurred in the primary account and the construction sub-account, respectively, since their inception through March 31, 2010.

The primary account continues to be utilized to pay expenses of the Receivership that cannot be charged to the construction sub-account. In addition, at the Government of Guam’s request, during the quarter ended March 31, 2010, the Court ordered an additional \$1,000,000 transferred from the primary account to the account maintained by the Court at the Bank of Hawaii for the purpose of paying the cost of the Receiver.

As shown in Tab 9, the balance in the construction sub-account went below \$10 million on March 31, 2010, triggering a requisition to replenish the account from the Bank of Guam’s bond construction account. The requisition to replenish the account was in accordance with the

Government of Guam’s Bond Indenture for the Government of Guam Limited Obligation (Section 30) Bonds, Series 2009A and the amended disbursement procedures approved by the Court.

Table 7 provides the Court with an accounting of the retainage being held for vendors paid from the Citibank Trustee Account.

Table 7

Retainage on Trustee Account Payments		
<i>As of 3/31/2010</i>		
Company	Description	Amount
Black Construction Corporation	Retainage	\$ 51,067.25
Core Tech International Corporation	Retainage	\$ 33,380.55
Maeda Pacific Corporation	Retainage	\$ 809,074.86
TG Engineers, PC	Retainage	\$ 4,695.32
Total Retainage Held.....		\$ 898,217.98

When the retainage obligations are considered, the construction sub-account has a balance of \$8,475,254.59 available for future Consent Decree obligations.

4. Status of the USDA Loan/Grant

We have continued to assist the Government of Guam and USDA as they work to finalize the loan/grant, which would allow the Government to redirect a portion of the 2009 Section 30-backed bonds to other priorities of the Government of Guam. Due to the unresolved issues that remain between the Government of Guam and USDA, no request has yet been submitted to the Court to approve the USDA loan/grant as a substitution for the Section 30-backed bonds currently funding the Consent Decree projects.

We have previously outlined for the Court a number of issues that need to be addressed before we could recommend approval to the Court of any request to substitute the USDA loan for the Section 30-backed bonds. Since the January 2010 hearing before the Court, we have participated in a limited number of discussions with the Government of Guam and USDA compared with the number of discussions held between the October 2009 hearing and the January 2010 hearing. The status of efforts to resolve these outstanding issues is, therefore, not clear to us.

The Court will recall that just prior to the January 14, 2010 hearing, we were provided with a copy of a memorandum from GEDA Administrator Tony Blaz to the Attorney General, responding to a request of the Attorney General for an update on efforts to address the issues raised by the Receiver in our October 21, 2009 Report. While we acknowledged receipt of the memorandum at the January 14, 2010 hearing, we were unable to comment on it since we had not had time to review it prior to the hearing.

On February 2, 2010, we sent a letter to Mr. Blaz commenting on the memorandum and providing additional comments and issues. While there has since been some discussion of a number of these issues, there has been no response to the letter. A copy of the February 2, 2010, letter is attached to this Report as Tab 10.

On March 8, 2010, we received draft amendments from the Office of the Attorney General that would amend the contracts with Maeda Pacific Corporation, Core Tech International Corporation and Black Construction Corporation to insert into these contracts provisions requiring compliance with the Buy American and Davis-Bacon requirements. We have expressed three areas of concern to the Attorney General with respect to these draft amendments. These concerns are:

1. The draft amendments commit to reimbursing the contractors the cost of compliance with these provisions without knowing the amount required.
2. The draft amendments appear to authorize the USDA or other federal officials to interrupt funding to the Consent Decree projects based on issues that are unrelated to the Consent Decree (i.e., non-compliance with the Buy American and Davis-Bacon provisions).
3. We need clarification about the applicability of the Buy American and Davis-Bacon requirements for the period between the date of the initial approval of the contracts and the effective date of the amendments. We have the following questions: Are the requirements applicable to the period prior to the effective date of the amendments? Are sanctions for any non-compliance with the requirements of the amendments prior to the effective date applicable?

While the Attorney General's Office has acknowledged the issues we have raised, we have not received a formal response to these concerns as of this date.

Recommendations

The Receiver's recommendation to the Court in this matter remains the same as stated in our previous reports and as ordered in the Court's Order of January 15, 2010.

5. Preliminary Outline of Rate Recommendations to the Public Utilities Commission

In its previous orders, the Court has directed the Receiver to submit a request to establish permanent rates to the Public Utilities Commission by September 1, 2010. In preparation for this effort, we have begun the review process to update our rate calculations.

As the Court will recall, the interim rates approved last year by the Court were based on the best information available at the time, but could not reflect all of the factors that should be considered since the financing and procurement for construction of the projects were not completed, and the final project costs and reserve requirements to ensure the sustainability of the SWMD's programs were unknown. In addition, a critical factor, accurate measurement of the waste stream, was not put into place until June of 2009.

Much progress has been made during the last year to address many of these areas. These include:

- Section 30-backed bonds were sold to provide financing for the projects;
- Competitive procurements were successfully managed resulting in lower than estimated contract prices for several of the most significant contracts necessary to achieve compliance with the Consent Decree;
- An accurate and functioning scale system was successfully installed to measure the waste stream;
- All residential customers were successfully reenrolled to obtain accurate mailing addresses and pick-up location information;
- An RFID-enabled, cart-based residential collection system was successfully installed that improved the efficiency of the residential trash collection system;
- A new customer service system was successfully installed to enable accurate management of customer accounts; and
- Implementation of the Court-approved interim rate increases has begun.

Even with the significant progress outlined above, there remain several issues that must be more fully addressed before reasonable certainty can be achieved for all of the factors necessary to develop final rates. These include:

- Final capital cost of the Layon Landfill and related Consent Decree projects;
- Resolution of USDA grant/loan issues, including a final amortization schedule (the estimates included in this Report are based on an estimated amortization schedule developed by the Receiver from a draft promissory note drafted by the Government's bond counsel);
- Award of a contract to a qualified operator for the Layon Landfill;
- Transfer Station procurement;
- Final agreement with the Military for their long-term use of the Layon Landfill;
- Better understanding of the waste stream of the Military; and
- Establishment of a reasonable and accurate account payment history under the new system and rate structure

Table 8 outlines the required rates, based on the best information currently available, for the several scenarios that may occur. These rates should be considered preliminary and will continue to change as the variables outlined above are finalized.

The primary factors that have influenced changes in the rates since the interim rates were approved include:

- Favorable bids as a result of the competitive process managed by the Receiver;
- Operational efficiencies in the SWMD as a result of improvements in management, equipment and new technology;
- Preliminary estimates of reserve requirements needed to assure that funds are continuously available to efficiently operate a solid waste management system in compliance with all applicable regulatory requirements; and
- Accurate measurement of the waste actually received at the Ordot Dump.

Table 8

Customer Type	Preliminary Rate Comparison			
	100% Bond Financing (2009A Section 30)		USDA and Bond Financing (2009A Section 30)	
	Without Military	With Military	Without Military	With Military
Commercial (per ton)	\$165.53	\$130.14	\$142.40	\$113.02
Residential (per month)	\$30.00	\$27.00	\$27.04	\$24.66

Note: Self-haul rates remain the same as previously recommended.

The detailed calculations required to estimate the commercial and residential rates outlined above are included in Tabs 11 and 12 of this Report. We will continue to refine these estimates as we further develop the rate model for presentation to the Public Utilities Commission later this year.

6. Update on the Volume of Waste

The new scale system has now been in operation for 10 months. The changes in the weekly and projected annual amounts of waste received at the Ordot Dump are now incremental and small from month to month. Table 9 provides an update on this information through March 27, 2010.

Table 9

Actual Solid Waste Delivered to the Ordot Dump			
June 1, 2009 through March 27, 2010			
Customer Type	Tons		Percent
	Week	Year	
Commercial Customers	1,009	52,448	65%
Residential Customers	376	19,564	24%
Transfer Station	99	5,164	6%
Mayors	27	1,412	2%
Government of Guam	49	2,544	3%
Total	1,560	81,132	100%

Note: The tons per week is the average of the actual tonnage delivered each week. Tons per year is the amount per week multiplied by 52 weeks.

Detailed data on each week's waste delivery to the Ordot Dump are included in this Report as Tab 13.

Since our last Report, we have received additional information from the Military on their actual quantity of waste as well as more detailed projections of their waste. These data are useful for rate planning purposes and provide a better understanding of the average amount of waste expected over the next several years. These estimates also provide a better understanding of the amounts of the Military's waste that are on-base and therefore subject to a long-term agreement between the Government of Guam and the Military, and the amounts of off-base waste related to Military activities. Off-base waste generators will utilize the Layon Landfill even if the Military and the Government of Guam do not enter into a long-term agreement. While these estimates will likely continue to change as circumstances change, they are the best information we have been able to obtain to date, and provide useful information for the rate- setting process.

Table 10 shows our best estimate of the total 2010 waste stream on Guam. The table uses scale data for non-Military waste and Naval Facilities Engineering Command (NAVFAC) estimates for the Military.

Table 10

Estimated 2010 Guam Waste Stream (excluding recycled materials)		
Source of Waste	Tons	Percent
Military*	21,914	21.3%
Commercial Customers	52,448	50.9%
Residential Customers	19,564	19.0%
Transfer Station	5,164	5.0%
Mayors	1,412	1.4%
Government of Guam	2,544	2.5%
Total	103,046	100.0%

*Based on estimates provided by NAVFAC for 2010.

Table 11 presents the average amount of annual waste that can reasonably be expected in Guam over the period 2012 to 2020. The trends that support these estimates are from NAVFAC's most recent data and include a 2 percent average annual growth estimate in Guam's non-Military waste. The only modification made in NAVFAC estimates is a cap on the amount of on-base Military waste that will be recycled or otherwise diverted. NAVFAC estimates recycling and diversion at 10 percent of waste in 2010, with an estimated increase of 10 percent per year up to a maximum of 50 percent by 2015. While these more aggressive goals may be achieved, we believe an estimate of 20 percent diversion is more reasonable for the period.

Table 11

Estimated Average Annual Guam Waste Stream 2012 to 2020 (excluding recycled materials)		
Source of Waste	Tons	Percent
Military*	38,227	27.4%
Commercial Customers	65,618	47.0%
Residential Customers	24,477	17.5%
Transfer Station	6,461	4.6%
Mayors	1,766	1.3%
Government of Guam	3,182	2.3%
Total	139,732	100.0%

*Based on estimates provided by NAVFAC.

7. Status of Discussions with the Military as a Potential Customer of the New System

Subsequent to the January 14, 2010 hearing, the Receiver submitted a draft agreement to both the Government of Guam and the Military for review and comment. To date, we have not received comments from either party. The draft agreement submitted by the Receiver to the parties for review is included in this Report as Tab 14.

6. Next Steps

Layon Landfill Construction, Construction Management, Design, and Permitting

- Continue to provide management oversight to include all new construction;
- Continue to coordinate with regulatory agencies;
- Work with consultant, GWA and GEPA to implement renovations and water quality monitoring programs for WWTP improvements;
- Provide project management for well installation and monitoring activities;
- Procure a qualified operator for the Layon Landfill;
- Procure, through either construction or contract, a properly located and licensed commercial transfer station to consolidate waste for transport to the Layon Landfill;
- Establish Ordot Dump environmental and redesign effort as well as a revised schedule for the next phases of closure work; and
- Procure a qualified firm to design the closure plan for the Ordot Dump.

Operations

- Continue to refine the billing system for SWMD customers, tightening checks and balances on billing and implementing stronger internal auditing processes;
- Refine the utilization of the RFID information to help make collection routing more efficient; and
- Begin planning for a pilot curbside recycling program and new collection program for metallic and bulk waste.

Financial

- Carefully manage the Citibank Trustee Accounts and keep all parties informed;
- Continue to carefully monitor expenditures and revenue collections;
- Carefully monitor the volume of waste and update rate information accordingly;
- Manage the contracts required to complete the Consent Decree projects;
- Continue implementation of the interim rates approved by the Court;
- Provide assistance as requested to the Government of Guam and USDA as they address the outstanding issues concerning the USDA Loan/Grant;
- Continue to advance the long-term agreement with the Military; and
- Advance preliminary procurement activity for closure of the Ordot Dump.