Quarterly Report of the Receiver

Civil Case No. 02-00022
United States of America v. Government of Guam
Guam Solid Waste Authority

Prepared for:

U.S. District Court of Guam

Submitted by:

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December 7, 2011

Printed on recycled paper

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Guam Solid Waste Authority

Pursuant to the Order of the District Court of Guam (Court), dated March 17, 2008, appointing Gershman, Brickner & Bratton, Inc. (GBB) as Receiver for the Solid Waste Management Division (SWMD) of the Department of Public Works (DPW) of the Government of Guam (now the Guam Solid Waste Authority [GSWA]), we are pleased to submit to the Court this Quarterly Report ("Report"). The purpose of this Report is to describe to the Court the progress made toward compliance with the Consent Decree for the quarter July 1, 2011, to September 30, 2011, 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, Guam Solid Waste Authority" (see Tab 2).

Introduction

This Report covers the period in which the Ordot Dump was permanently closed to the delivery of waste and the Layon Landfill opened. These events marked a major milestone for the people of Guam. The work to achieve the ultimate goal of the Consent Decree has now begun. Efforts are underway to design and construct the necessary elements that will ensure that the Ordot Dump is not a source of future pollution, and that the state-of-the-art, environmentally safe landfill, constructed pursuant to the Consent Decree, is operated and maintained in accordance with all applicable Federal and Guam Laws and Regulations.

During the last quarter and through the month of October, Ordot Dump closure activities focused on permitting and on-site field investigations. In addition, an interim cap is being developed for installation on top of the Ordot Dump to immediately reduce the quantity of leachate generated by diverting, to the greatest extent possible, stormwater from the dump. At the Layon Landfill, for the past four months, the Receiver oversaw work to complete remaining construction of the access road (now formally named Chalan Layon) and the Layon Landfill. As landfilling operations got underway in September, the Receiver worked with the Layon Landfill operator to provide technical, operational and construction support for all infrastructure now supporting operations.

During the reporting period, GSWA staff performed 221,109 residential trash collections, with missed collections comprising less than one third of one percent of the total. The Receiver continued the Curbside Recycling Pilot Program for 1,000 SWMD customers and collected data in order to assess the

feasibility of expanding the program to all residential customers. In September, the GSWA also launched the curbside Metallic and Bulky Waste Collection Program.

In the financial area, operating expenses for FY2011 were nearly 26 percent under budget. While the residential customer base for trash collection services has remained stable at about 17,000, we have seen an increase in the number of residential customers whose accounts are delinquent. Our effort to implement the new rate structure for commercial customers to achieve a better payment result continued to be a major emphasis of our work during this reporting period, with the result that two of the four large commercial haulers that had been behind in their obligations are now current. We have closely monitored the cash flow of the GSWA and funded obligations for both debt service and operating cost. Finally, in September, we completed negotiations with the Military to participate as a customer of Guam's solid waste management system, and waste deliveries began in October; however, the volume of Military waste appears to be less than the Military had projected. As a result, we have updated our rate model for revising the rates structure currently pending before the Public Utilities Commission (PUC).

In this Report, we present the following updates for July 1, 2011, to September 30, 2011, with more recent information as available and appropriate:

1. **Ordot Dump Closure**
2. **Layon Landfill**
3. **Operations of the Guam Solid Waste Authority**
4. **Curbside Recycling Pilot Program**
5. **Metallic and Bulky Waste Collection Program**
6. **Household Hazardous Waste Program**
7. **Contract management and procurement**
8. **Financial issues and capital funding**
9. **Guam Solid Waste Authority Act**
10. **Next steps**

1. Ordot Dump Closure (July 2011– September 2011)

During the quarter and through the month of October, Ordot Dump closure activities focused on permitting and on-site field investigations in a step-wise, logical sequence. First, property boundary and topographic surveys were initiated to understand where proposed field investigations (i.e., test pits, geotechnical borings, monitoring wells, etc.) would be located relative to property boundaries and wetlands that exist on the site. These steps were necessary before field work was initiated.

As we reported in the previous Quarterly Report, much of the investigation work needed to be performed is on land not owned by the Government of Guam (GovGuam). After discussing the issue with Guam Environmental Protection Agency (GEPA), permit applications were divided into two groups: 1) on-site – work performed on a lot owned by GovGuam; and 2) off-site – work performed on lots not owned by GovGuam. Work to be performed on lots not owned by GovGuam would require a Right-of-Entry (ROE) agreement with the owner(s). On-site work proceeded shortly after permits were granted

by GEPA, and, at the same time, ROEs were pursued with seven (7) adjacent lots. The procurement of ROEs has met with uneven success, and in all cases it has taken longer than was assumed in the project schedule. We have now obtained six (6) of the needed ROEs and continue to seek the remaining agreements. We have worked closely with the Office of the Attorney General to obtain the ROEs.

Work proceeded with on-site investigations that were not within wetland areas. All on-site investigations that could be performed were performed in this quarter; however, with the remaining work to be done in off-site areas and the number of ROEs for the off-site lots unsecured at the time the on-site work was completed, field investigations had to be halted and the field team demobilized from the site. Other field work was shifted ahead and initiated, including the installation of gas migration monitoring wells, groundwater monitoring wells and Dero Road topographic mapping. The following section describes the field work tasks and the extent to which the work has been completed as of September 30, unless otherwise noted.

Field Investigations

Initiation of the field investigations during the rainy season has been a challenge. In 2011 (through October), Guam has received over 101 inches of rain, which is almost 40 inches more than last year's total at this time. During the months of September and October this year, Guam received about 29 inches of rain. During September, as we began our investigation activities, the rain hampered the work. Because of these conditions, the drill rig is driven as far as it can get under its own power; it is then towed the rest of the way to its proper position at each investigation location.

Early data from field investigations indicate that waste extends beyond the limits identified in the 2005 waste delineation work. Waste limits along Dero Road have been found to extend beyond the fence boundary of the site into portions of the right-of-way. Waste limits on the eastern side in at least one test pit extend as much as 20 feet beyond previously reported waste limits.

The majority of field work on site has been performed at this time, and the remaining areas within the wetlands will be completed in the next quarter.

Access conditions in November improved slightly, and we are looking forward to better weather conditions toward the end of the next quarter when the wet season begins to transition to the dry season.

Topographic and Property Boundary Surveys – The only topographic work that was not completed during the quarter was on those properties where the waste limit delineation cannot continue until the ROEs are secured for access. This includes the northwest corner, west side and southeast perimeters of the dump site. Topographic work will be completed after the remaining ROEs are obtained.

Property Ownership and Boundary Investigations – This work, requiring research into GovGuam ownership records and those of title companies, has been largely completed and owners identified. This work was especially helpful in establishing those parties from whom ROEs should be obtained.

Geotechnical Investigations – This work commenced in early October, and to date, 11 of 14 boreholes have been drilled. The remaining three boreholes are located on a portion of the dump where we do not have a signed ROE agreement. Fifty-eight samples have been collected from these boreholes for analysis.

Delineation of Waste Limits – This work consists of the excavation of test pits with a tracked excavator to determine the existing limits of the edge of the dump. Twenty-six of 33 on-site test pits have been completed. The remaining on-site test pits to be excavated are in wetland areas and cannot be investigated until the U.S. Army Corps of Engineers has approved access into the wetlands. These test pits should be completed in the next quarter with the off-site test pits. There are 30 off-site test pits to be performed, 20 of which are on property for which we do not have ROE agreements.

Gas Migration Investigations – The gas migration investigations begin with the installation of gas monitoring wells from which air samples are collected and evaluated. Through October, three gas monitoring wells have been installed on-site. Five wells have been attempted; however, the most recent wells needed to be relocated when unmarked utilities were encountered. We maintain close coordination with Guam Waterworks Authority (GWA) and other utilities to prevent possible damage. Twelve gas monitoring wells need to be installed to assess the dump.

Gas Generation Potential Wells – There are three wells to be installed at the top of the dump. These wells are expected to be installed in the next quarter.

Jurisdictional Wetland Delineation – The wetlands located on the site have been delineated and a map created to support the future mitigation plan for the wetlands impacted by the closure plan. The information was also used in the nationwide permit application for access to the wetlands to conduct survey and investigatory work. The U.S. Army Corps of Engineers approved access to the wetlands on November 9, 2011. The field investigation team will proceed in the next quarter to complete remaining investigations that are on-site within the wetlands. We also have coordinated with GEPA to ensure that best management practices in erosion and sediment control are put in place to minimize the temporary impacts of the work.

Hydrogeologic Investigations – The first of seven (7) well pairs (two wells closely located – one at a shallow depth and one at a deep depth) was installed in October on the north side of Dero Road. This well will be designated as the upgradient well to the dump site. Groundwater sampling will begin when all wells are installed during the next quarter.

Archaeological Monitoring – Every location where field investigations are to be performed, whether on-site or off-site, must be performed in accordance with the requirements of the Guam Historic Preservation Office (HPO) requirements. The HPO has required all locations to be monitored by an archaeological monitor when surface disturbance is performed. Originally, the archaeological work was proposed as a survey that would be performed in advance of the field work – a quicker more efficient process, verbally agreed to by the HPO. In subsequent discussions with the HPO, their staff indicated a

desire to have monitoring conducted at each field investigation location instead. This change has required and will continue to require additional effort and time to complete field investigations.

Unexploded Ordnance Monitoring – One of the safety measures in the site health and safety plan is the performance of routine unexploded ordnance (UXO) monitoring with every new area where field investigations are performed. In this past quarter, a UXO was discovered on-site during the wetland delineation work. On September 22, 2011, a 75mm (diameter) U.S. Army high explosive projectile with a point detonating fuse was found at the work site while screening for borehole testing was being performed. A UXO technician was consulted, and, after inspection of the projectile, our site safety officer called in the Navy Explosive Ordnance Disposal (EOD) team, which safely removed the projectile from the site.

Other Related Field Work – A new task identified in our previous Report came from a request by the Mayor of Ordot-Chalan Pago regarding the safety of Dero Road. The Mayor asked that safety along Dero Road be enhanced for the duration of the project by providing lane striping from the Route 4/Dero Road intersection to the LeoPalace Resort Road intersection with Dero Road. That work was completed by the end of August 2011.

Quality Assurance Project Plan and Environmental Pre-Design Work Plan

The consultant for the Ordot closure work, Brown and Caldwell (BC), prepared draft and final versions of the Quality Assurance Project Plan (QAPP) and the Environmental Pre-Design Work Plan (or Work Plan) for review and approval by GEPA and EPA. The QAPP is the plan for the collection of samples and performance of laboratory work to analyze all samples for evaluation. The plan sets standards for the data quality objectives and establishes standard operating procedures for all work performed during the field investigations and monitoring work. The Work Plan establishes procedures for gathering field data. Much of the work is performed in a phased approach, which allows for the adjustment of the Work Plan in later stages based on findings in the initial phases. The consultant will provide frequent data reports to GEPA and EPA so that they may give advice and guidance as the work progresses, allowing for adjustments as work proceeds.

The draft QAPP and Work Plan were submitted to GEPA and EPA in late September 2011, and EPA provided comments to both documents on October 24, 2011, and GEPA on November 2, 2011. Since that time, we have responded to those comments and have revised the QAPP and Work Plan. The Receiver finalized these documents and provided them to GEPA and EPA in late November 2011.

Interim Cap Design

The interim cap for the Ordot Dump is being developed to immediately reduce the quantity of leachate generated by diverting, to the greatest extent possible, stormwater from the dump. This interim cap will be in place until the final closure cap is constructed. The interim cap will be installed on top of the Ordot Dump where stormwater has the greatest potential to infiltrate and contact waste. In this quarter, the new task for the interim cap has been scoped and negotiated. Brown and Caldwell has expedited the design and is developing a design report. In the next quarter, design plans, specifications and

procurement documents will be prepared. In order to install the interim cap as quickly as possible, the interim cap is planned to be a synthetic membrane with a gas venting layer and vent pipes to collect gas. The Receiver has maintained close coordination with GEPA and EPA on the progress of this effort, as with all Ordot Dump closure activities, by continuing to hold regular bi-weekly teleconferences with key staff.

2. Layon Landfill (July 2011 – September 2011)

Remaining Construction Efforts and Operations

During the past four months, through the third quarter of 2011 and into the fourth, the Receiver worked to complete remaining construction. This construction consisted of punch list items, items noted in inspection reports and a few change orders with post-opening completion dates for the access road and the Layon Landfill. In addition, the Receiver finalized construction documentation, which was provided to regulatory agencies in compliance with permit requirements. As landfilling operations got underway, the Receiver worked with the landfill operator, Herzog Environmental, Inc. (HEI), to provide technical, operational and construction support for all infrastructure now supporting operations.

Access Road (Chalan Layon)

The contractor, Core Tech International (CTI), worked from the beginning of this period to complete all construction finishing work and project wrap-up on the utilities, traffic control and appurtenances for the access road, now formally named Chalan Layon.

Work completed in this period includes the following:

- Received occupancy permit for access road facilities on July 5, 2011 (reported previously)
- Performed a series of electrical, mechanical and civil engineering inspections
- Installed safety speed bumps and caution signs at two bus shelters
- Completed guardrail straightening and inspections
- Painted bus shelters
- Replaced a residential driveway within the right-of-way
- Properly sealed electrical fixtures against weather
- Provided to GWA keys and locks for pump stations
- Installed meter valve boxes where needed
- Placed topsoil and hydroseeded
- Cleaned up the site and removed construction debris

The placement of final pavement on the entire access road remains to be completed. The paving work has been delayed pending a decision from DPW and the Federal Highway Administration on the quality of the asphaltic paving material to be provided by Hawaiian Rock Products, the paving subcontractor on the access road. While this issue is not specific to this project, the decision has been pending for several months and affects all paving projects on Guam. Fortunately, the paving issue did not affect the opening of the Layon Landfill; however, we are concerned that the utility covers in the road will experience

unnecessary stress and damage over time as a result of the uneven pavement surfaces at each structure. For this reason, we urge DPW to press for the acceptance of testing so that paving can be completed. We understand that new testing has been performed on the material but it has not yet met DPW's acceptance.

The remaining work consists of erosion/sediment control, vegetation establishment, archaeological mitigation, and the final layer of asphalt paving for the entire access road.

The archaeological mitigation plan, previously approved by the HPO, is in the process of being implemented. The crypt design is underway as well as the preparation of archaeological finds to be interred in the near future.

Landfill Entrance Facilities and Cells 1 and 2

The contractor, Black Construction Corporation (BCC), worked to complete all remaining change order additions to the contract, including security fencing, fuel tank and fueling system, water system changes, fire suppression systems, and final facility operational checks and warranty work after landfill operations commenced on September 1, 2011. BCC continues to manage the establishment of erosion and sediment controls in compliance with the original contract.

The following is a summary of the final work completed in the last four months:

- Installed a radiological screening system at the entrance to the truck scales
- Installed a revised water supply system for greater functionality
- Performed a series of electrical, mechanical and civil engineering inspections
- Installed mud rack final asphalt topping
- Installed and tested the 12,000-gallon diesel fuel storage tank and piping
- Continued hydroseeding and stabilized exposed ground to control erosion and sedimentation
- Cleaned up construction debris on the site
- Provided DPW with notice of conveyance for all improvements completed

BCC is expected to finish the fuel system installation in the next quarter. Herzog Environmental, the landfill operator, has made alternative arrangements to secure fuel until this work is completed. The remaining BCC activities in the next quarter will consist primarily of warranty work on an on-call basis, in compliance with contract documents.

Layon Landfill Leachate Management (Inarajan Wastewater Treatment Plant Improvements)

As indicated earlier, CTI completed the initial improvements at the Inarajan Wastewater Treatment Plant (WWTP). This work consisted of the installation of influent and effluent flow-monitoring equipment; the replacement of the one remaining old aerator, still in operation in the only functioning aeration basin, with four new high-efficiency aerators for the treatment plant's four aeration basins (plus one complete spare aerator); and replacement of 16 large control valves with new valves. This work will allow for accurate collection of influent and effluent wastewater characteristics and flow monitoring, as well as improved performance in the aeration basins and significantly greater operational control and flexibility provided to GWA.

During this period, Brown and Caldwell, the design consultant tasked to perform this work, also completed the design work for construction of future improvements to the plant, which will be used should certain performance triggers be reached. The objective of preparing these plans now is to reduce the amount of time to put these future improvements in place, should they be needed. The 90 percent design was provided to GWA and GEPA/EPA for review and comment in the previous quarter. We have received comments from all entities, responded to the GEPA/EPA and GWA comments and incorporated them into the final design. The final design documents have been submitted to the agencies and are now available to be implemented in a shorter time period than with conventional procurement timelines. This was one of the primary requirements of GWA, GEPA and EPA for leachate treatment, and it has been achieved.

Construction Management

The construction management (CM) consultant, Winzler & Kelly (now W&K/GHD), has successfully concluded the vast majority of the CM oversight of both CTI and BCC's construction activities. The major CM activities over the past four months consisted of the following:

- Weekly construction inspection and reporting on remaining BCC work
- Management of construction meetings and preparation of meeting minutes
- Request-for-information (RFI) and submittal management and processing
- Pay request submittal and review processing
- Coordination with utility companies for system inspections and clearances
- Coordination with utility companies for operational turnover of electrical, sewer and water systems
- Coordination of GEPA, Guam Fire Department and DPW inspections related to the revised water system configuration
- Construction certification and delivery of Construction Quality Assurance project documentation to GEPA for approval, which was received on August 30, 2011

Vector Engineering (now Geo-Logic Associates), which provides independent, third-party expertise that is integral to the W&K/GHD CM team to ensure that the contractor uses the proper liner materials and that those materials are properly installed, prepared the Construction Quality Assurance Final Documentation Report (Final CQA Report). This report contains all conformance testing results, daily field reports, material testing results, photo documentation, and as-builts. The CM team submitted the Final CQA Report to GEPA on July 18, 2011, in conformance with the landfill permit conditions. GEPA's August 30, 2011, letter accepting this document is included as Tab 3.

The CM team coordinated all final access road utility system checks with the relevant entities for operational and asset turnover of the improvements to the appropriate agencies. The Receiver appreciates the continued attention that GWA, DPW and Guam Power Authority (GPA) engineering staff and management have given to this process and to expediting the work.

The CM team continued to coordinate all inspections by GEPA, required by the landfill permit provisions related to the landfill cell systems. These inspections focused on the leachate primary and secondary removal systems. In the presence of GEPA, successful demonstrations of the pumps and tank and operational control systems were performed. Where GEPA noted deficiencies, corrections and retesting were performed to GEPA's satisfaction.

W&K/GHD continues to effectively implement the remaining tasks under the Layon Landfill and access road construction management plan, coordinating the final punch list for construction work as well as completing the construction documentation record.

Asset Transfer

We have worked with the Office of the Attorney General to formally transfer assets to the proper utilities. The Attorney General has expedited and guided much of this effort to date. As noted in the Attorney General's report to the Court, dated November 10, 2011, the only remaining issue is changing the name on the street light account with the GPA from the contractor, CTI, to DPW. That matter was still pending on the date of that report.

Other CM services

A number of the Receiver's tasks required additional CM support, and we have tasked W&K/GHD to provide this support. The additional work includes:

1. GSWA office building power separation oversight
2. GSWA office building safety repairs
3. Dero Road safety striping oversight
4. Upgrade of residential transfer stations to meet permit standards

Design Support Services

The Engineer of Record (EOR) for the Layon Landfill and access road, TG Engineers, PC (TG), continued to address construction requests for information, submittal reviews, design clarifications and revisions to improve ease of construction, and operation and maintenance. TG also has continued to address changed conditions encountered at the site. This activity is essentially complete; however, the Receiver will continue to involve TG where necessary to address questions or issues that arise during the initial operations period for both the access road and the Layon Landfill.

Two unanticipated engineering support services were needed during this quarter to address issues related to the opening of Layon Landfill and consisted of the following:

1. **Route 4 haul road evaluation and safety recommendations** – Developed by W&K/GHD based on concerns raised by the Receiver, the immediate recommendations consisted of removing overhanging vegetation to improve sight distances and clearances along the right-of-way, as well as truck safety escorts through the areas where long-term safety corrections are needed. Long-term recommendations include the installation of signalized safety warning signs, cutting back roadside slopes to remove hazards on curves along the roadway, and improvements to the Route 4/Dandan Road turning lane.

2. **Redesign of transfer stations and construction of a fourth facility** – Permitting the residential transfer stations is a requirement of the Solid Waste Facility Permit for the Layon Landfill. A new location for the fourth residential transfer station is necessitated by the closure of the Ordot Dump. This work progressed this quarter with the completion of a conceptual plan that will guide the redesign and reconfiguration of the present residential transfer stations at Agat, Dededo and Malojloj and the design of a fourth residential transfer station (to replace Ordot), co-located with a household hazardous waste facility in Harmon at the GSWA facility. The design support is being conducted by W&K/GHD. During this past quarter, W&K/GHD completed the property/topographic surveys and environmental site assessments. Subsequent work in this coming quarter includes the initiation of design plans, specifications and coordination with GEPA and other GovGuam agencies.

Environmental Monitoring and Compliance

Sound environmental practices and permit conditions require extensive and ongoing monitoring of the GSWA facilities, particularly the Layon Landfill. In this section, we will discuss each area of monitoring and our plans to ensure compliance.

Layon Groundwater and Site Monitoring

The Final Detection Monitoring Plan (DMP) was approved by GEPA on August 30, 2011, and conditions of the approval were in compliance with the Receiver's requirements. The DMP is now in use during operations. The first semi-annual sampling event under the DMP for groundwater was successfully conducted November 14-18, 2011. At this time, results and reporting are pending.

Layon Stormwater Pollution Prevention Plan

During this period, the Stormwater Pollution Prevention Plan (SWPPP) for landfill operations was put into practice with the required monitoring, inspection and reporting. The reports are on file at the Layon Landfill and are provided as part of the quarterly reporting by the operator under the Landfill Solid Waste Facility Permit. Under this permit, regular testing of stormwater is required and will be incorporated under the environmental monitoring performed during landfill operations. The Receiver has contracted with EA Engineering, Science and Technology, Inc. as the third party to perform this monitoring work.

Layon Spill Prevention Countermeasures Control Plan

The Spill Prevention Countermeasures Control (SPCC) Plan puts procedures and controls in place at the landfill to reduce the chance of a petroleum release at the facility during operations. The plan provides countermeasures to deploy should such a release occur. This plan has now been put into practice during operations and is the daily responsibility of the operator.

During this quarter, the primary activity controlled under this plan was the servicing of landfill equipment by a fuel service and maintenance truck. All procedures in the plan are put into practice when equipment refueling is performed. Presently, the 12,000-gallon tank and fueling system are under construction and anticipated to be put into use during the next quarter.

Layon Landfill Municipal Solid Waste Facility Permit

The Landfill Solid Waste Facility Permit contains certain conditions with which the Receiver must comply during construction and operations. Chief among these conditions are information and documents that must be provided prior to the commencement of operations. The Receiver has worked diligently with GEPA and EPA to comply with all required conditions of the permit. In this four-month period, the Receiver, in conjunction with the landfill operator, received approval for the following plans and actions:

1. Detection Monitoring Plan (DMP) – August 30,2011
2. Construction Quality Assurance Documentation and Construction Certification – August 30, 2011
3. Alternative Daily Cover Request Letter for Tarping – August 30, 2011

Throughout the period prior to and during operations, the Receiver and operator have been available to GEPA staff if they have any questions regarding the documents, and we will continue to work closely with GEPA on any aspect of the operations as we move forward.

Inarajan WWTP

During the quarter, both influent and effluent wastewater sampling continued on a twice-weekly basis to establish baseline wastewater characteristics before leachate is added to the influent. On August 18, 2011, limited waste placement necessitated the treatment of leachate to commence, and from this date forward, all flows to the primary and secondary leachate collection system were collected and sent from the landfill, through the new GWA sewer line system, to the Inarajan WWTP. Marine monitoring at six sample locations is also being performed five times a month for coliform enterococci, and monthly for all other parameters. Data from marine monitoring will also be used to establish pre-leachate conditions.

In October 2011, the second quarterly report of data, from June through August 2011, was delivered to GEPA and EPA, which are currently evaluating the data. There are quantitative and qualitative triggers in place, as described in previous Quarterly Reports to the Court, that guide when treatment improvements may be needed to treat changes in the wastewater flow brought about by the addition of leachate.

All the design and monitoring work for Layon Landfill leachate management has been performed in accordance with the recommendations of the Layon Landfill Leachate Treatment Suitability Study, November 2009, and in close coordination with GWA, GEPA and EPA.

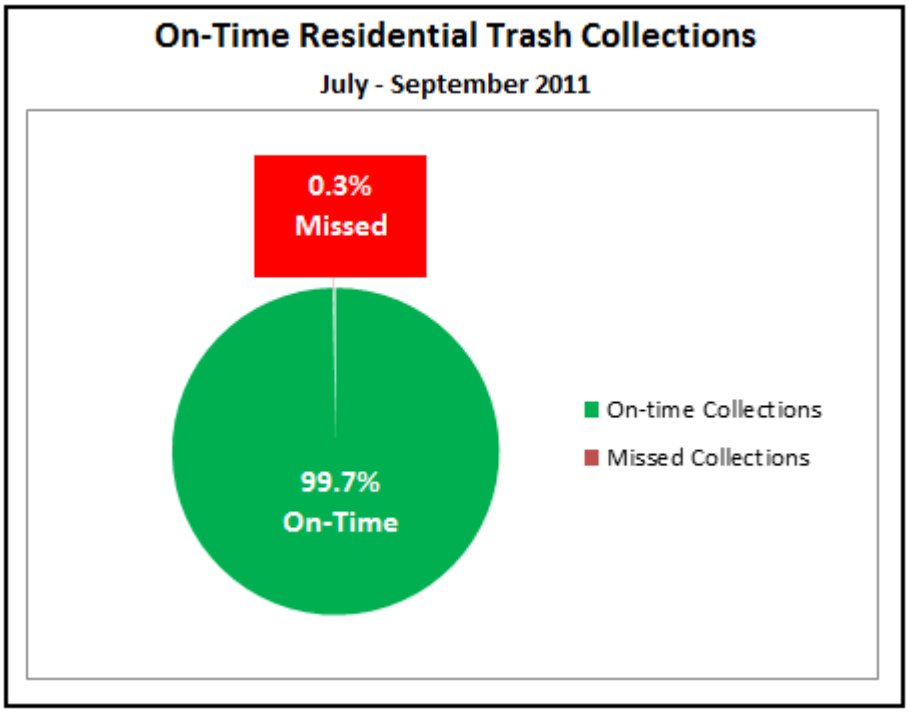
3. Operations of the Guam Solid Waste Authority

Weekly Trash Collection

GSWA crews successfully continued scheduled weekly collection of trash from GSWA's 17,000 residential customers. The GSWA performed 221,109 curbside trash collections during this quarter. A very low number of missed collections was reported, only 633, or less than one third of one percent. The slight rise in missed collections compared to the same time last year was predominantly caused by a combination of new drivers on routes and mechanical breakdowns, making a very small percentage of the collections a day late.

Figure 1 illustrates the small number of missed collections over the three months this Report covers.

Figure 1



Cart Repairs

From the beginning of July through September, no repairs were needed to the Toter carts used for trash and recycling collection. The Toter carts provided to GSWA's customers are holding up well to the work demands and weather.

Transfer Stations

Until August 31, 2011, the GSWA had been operating three residential transfer stations and a drop-off facility for residents, which was located at the Ordot Dump. On August 31st, the Ordot Dump was closed along with the residential drop-off facility at that location. Currently, the GSWA is working to design and

construct a new residential transfer station, located off Harmon Drive at the GSWA compound. Until this facility is built and open, and providing a fourth drop-off location, GSWA will operate the residential transfer stations in Agat, Dededo, and Malojloj.

Each of these residential transfer stations receives three types of materials from residents: household trash, cardboard, and glass bottles and jars. When the containers for these materials are full, GSWA staff transport these materials for recycling or disposal. Following the opening of the Layon Landfill on September 1, 2011, household trash has been disposed there. Cardboard is hauled to a recycling processor on the island where it is baled and shipped overseas to be processed into new cardboard. Glass bottles and jars are transported to the Layon Landfill where they will be crushed and used as alternative daily cover.

The closing of the Ordot Residential Transfer Station on August 31 has decreased the overall usage numbers for the residential transfer station system, but generally, the remaining facilities are servicing the same number of customers and the same amount of material as in previous quarters. Between July 1, 2011, and September 31, 2011, the four transfer stations served 8,385 customers – 1,465 less than in the previous quarter. This quarter, the residential transfer stations handled 25,155 cubic yards of material, which is 3,585 cubic yards less than in the previous quarter. Figure 2 shows the number of customers using each of these facilities during the third quarter, and Figure 3 shows the cubic yards of material these transfer stations and the Ordot Dump received. The figures include data for the Ordot Dump only through August 31, 2011.

Figure 2

Customers at Transfer Stations and Ordot Dump, July 1, 2011, to September 30, 2011

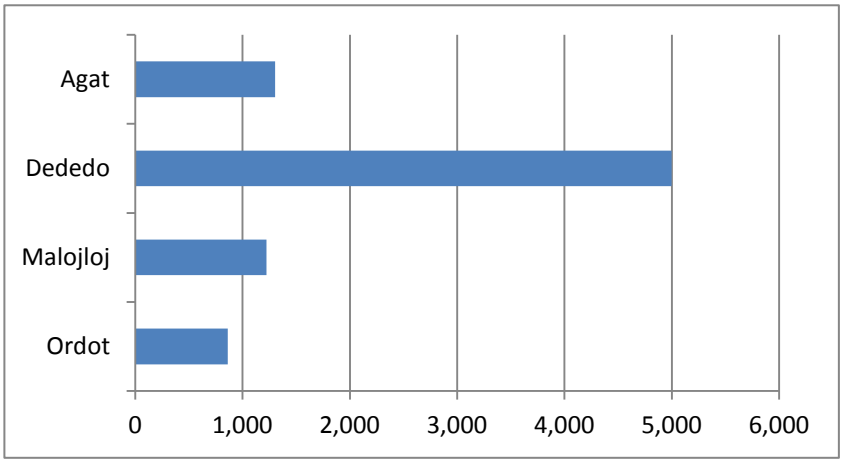
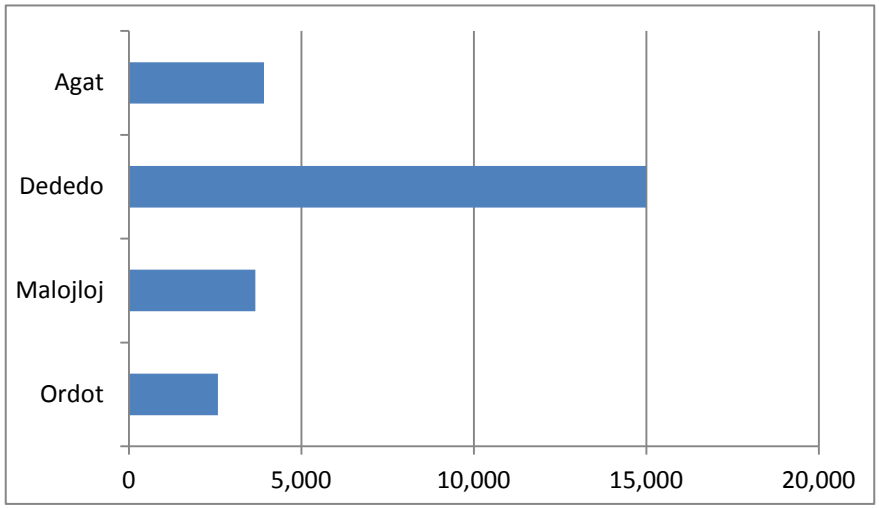


Figure 3

Cubic Yards of Material Received at Transfer Stations
July 1, 2011 – September 30, 2011



Hauler-Only Transfer Station

On September 1, 2011, with opening of the Layon Landfill, GSWA began operating a hauler-only (i.e., commercial) transfer station under a contract with Guahan Waste Control, with GSWA personnel staffing the scale house. The new facility has operated smoothly since beginning operation. Commercial haulers and large generators bring their waste material to this facility, and unload the material onto a tip floor where the landfill operator screens it for excluded waste before loading it into a large transfer trailer. By consolidating the waste in the transfer trailer, traffic to the Layon Landfill is reduced. Excluded waste is either recycled or returned to the hauler for proper disposal. If the hauler who brought the excluded waste is not identified, Guahan Waste Control disposes of it properly with the entire solid waste system bearing the cost of the disposal. Of the waste delivered to the Layon Landfill in September and October, about 91 percent was delivered through the Hauler-Only Transfer Station.

Personnel

The number of GSWA employees at the end of the third quarter remains the same as in the second quarter. Fifty-four employees currently work in the GSWA, which is a reduction of approximately 45 percent when compared to the 99 employees in the Solid Waste Management Division when the Court appointed the Receiver in March 2008. Of these 54 employees, 13 are temporary workers and two are contract employees.

4. Curbside Recycling Pilot Program

Overview

The GSWA has now completed three full quarters of the Curbside Recycling Pilot Program. The program, which was fully implemented in January 2011, services 1,000 customers who have been given recycling carts. The program accepts paper products such as copy paper, newsprint, junk mail, and cardboard as well as bimetal and aluminum containers, and #1 and #2 plastic containers. The customer simply places these materials in the recycling cart and they are collected at the curb.

The GSWA has varied the collection schedule in order to assess whether there is any relationship between frequency of collection and the amount of material collected and the level of contaminants. The GSWA chose to place some collection routes on a once-a-month collection schedule; others are on a twice-a-month collection schedule; and some are on every week collection. However, each recycling collection day occurs on the same day as the customer's trash collection day, which helps the customer remember when to set out the cart. Figure 4 shows the locations where monthly, twice a month and weekly collections occur.

Figure 4

Recycling Collection Schedule and Locations

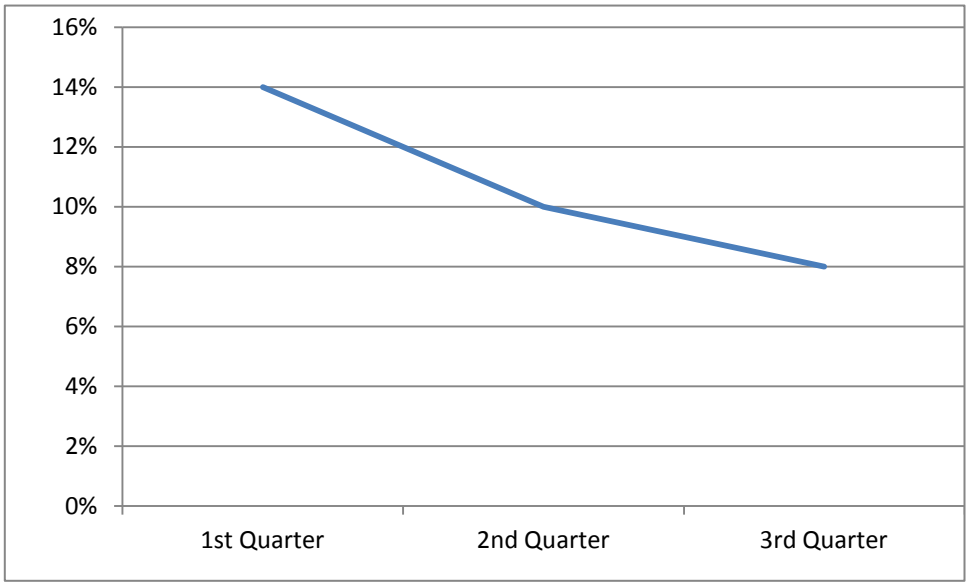
Area	Location	Collection Schedule
North	Summer Palace	Monthly
Central	Hyundai Housing Toto	Monthly
South	Santa Rosa, Santa Rita	Monthly
North	Marianas Terrace, Yigo	Twice Monthly
Central	Nimitz Hill Estates, Piti	Twice Monthly
Central	Sinajana Village	Weekly
South	Baza Gardens, Yona	Weekly
North	Ypaopao/Paradise Estates	Weekly

Preliminary Observations

Over the past three quarters, there have been noticeable trends in the Curbside Recycling Pilot Program involving rates for contamination, set-out and recycling.

The contamination rate is an important factor to watch. The contamination rate is calculated by dividing the weight of non-recyclable materials that are in the recycling cart by the weight of total material placed in the cart. At the end of the first quarter of operation, the contamination rate was 14 percent, which is high, but at the end of the second quarter, the contamination rate dropped to 10 percent, and at the end of the third quarter, it was 8 percent, as shown in Figure 5.

Figure 5
Contamination Rate, Curbside Recycling Pilot Program

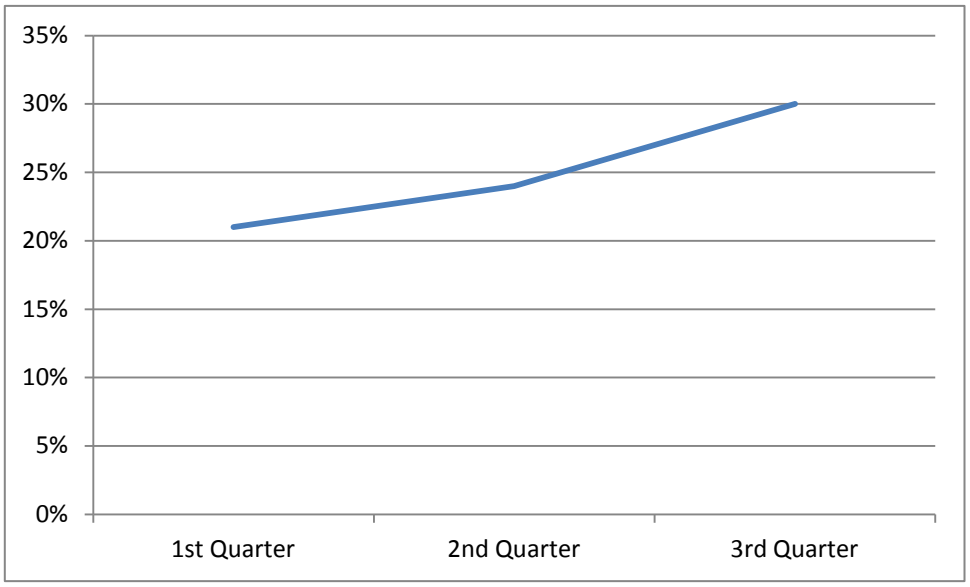


Another indicator for the program is the set-out rate. Set-out rates are calculated by dividing the number of carts set out for collection by the total number of customers scheduled for collection on a given day. Recycling set-out rates indicate whether the recycling program is being used and the extent of demand for collection on specific routes, both of which determine operational requirements. For example, with a 100 percent set-out rate, the collection vehicle would take roughly twice as long to collect that route than if there were a 50 percent set-out rate. Set-out rates, however, are not an accurate indicator of participation because a household may fill the cart up with recyclables but not set it out for every collection provided. The program set-out rate has been consistent, only declining by one percent, from 55 percent in the second quarter to 54 percent in the most recent quarter.

The average GSWA customer sets out 204 pounds of trash each month. During the first quarter of the Curbside Recycling Pilot Program, this monthly average dropped to 160.98 pounds of trash with the difference, 43.65 pounds, as recyclables. In the second quarter of the Pilot Recycling Program, the amount of trash dropped to 155 pounds and recycling increased to 48.47 pounds. In the third quarter, the average weight of recyclables again increased to 62.68 pounds per month, leaving 141.31 pounds in the trash cart for disposal. Figure 6 shows these increases in the recycling rate, from 21 percent in the first quarter to 24 percent and 30 percent in the second and third quarters, respectively.

Figure 6

Recycling Rate Per Quarter



Recyclables Collected

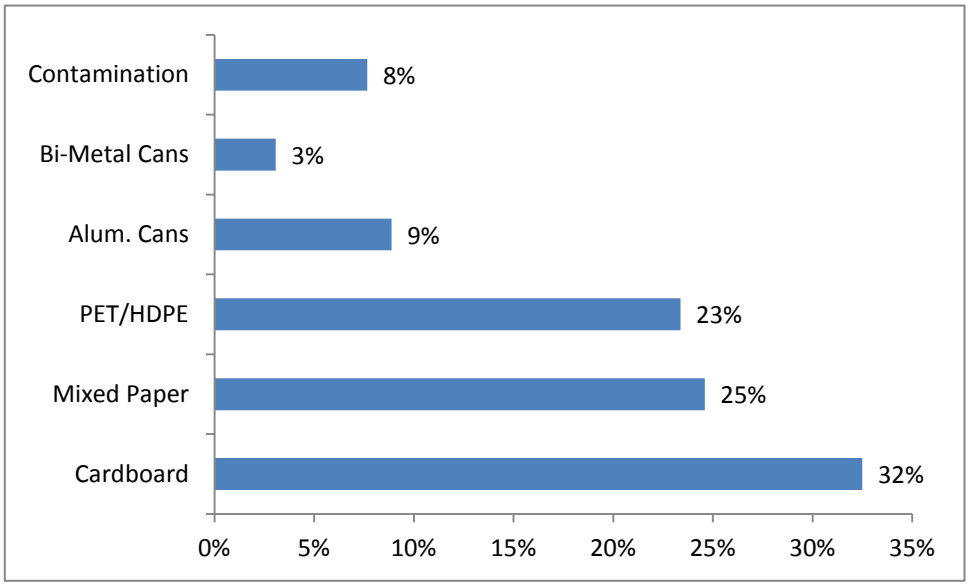
During the three quarters of the Pilot Curbside Recycling program, a total of 272,461 pounds of material was collected, with 251,581 pounds of the total comprising recyclables and the remaining 20,880 pounds comprising contaminants. Table 1 shows the total material collected and Figure 8 shows the percentage for each type of recyclable.

Table 1

Recyclables Collected

Item	Pounds (rounded)	Tons (rounded)	Percent
Total Collected	272,461	136	100%
Recyclables	251,581	126	92%
Contaminants	20,880	10	8%

Figure 8
Recyclables by Category



5. Metallic and Bulky Waste Collection Program

In September 2011, the GSWA launched its Metallic and Bulky Waste Collection Program. GSWA customers may now request collection service by calling the GSWA's customer service center to make an appointment for collection of bulky items, such as furniture, and metallic items, such as hot water heaters. The GSWA provides two free collections a year by appointment to customers in good standing. For additional collection service, the GSWA invoices the customer $25.00 per pickup. The materials collected in this program are recycled to the extent practical. In September, the GSWA collected 56 items from 23 customers. In October, 476 items were collected from 182 customers.

6. Household Hazardous Waste Program

The GSWA has been working with W&K/GHD to redesign each of the residential transfer stations and to design a permanent household hazardous waste (HHW) facility at the Harmon Street Residential Transfer Station. The HHW facility will be operated by a private contractor. The operator will be responsible for collecting, characterizing and properly disposing of HHW, and assisting the GSWA in developing public outreach and education material. With the help of the operator, select HHW items may also be collected at the residential transfer stations. From there, either the HHW operator or GSWA personnel will transport the items to the permanent HHW facility, where they will be consolidated with other similar items for disposal or reuse. Until the new program is fully operational, the Receiver will continue to cooperate with GEPA in its "Island Wide Household Hazardous Waste Collection Solid Waste Management Program," which conducts periodic collection of these materials.

Tab 4 provides a conceptual plan for the new HHW facility. The plans for the design will follow the permitting process and once the designs are accepted, the procurement process for the construction of the facility will begin. We will also issue a Request for Proposals for the operation of the new facility.

7. Contract Management and Procurement (July 2011 –September 2011)

Successful completion of a contract with Naval Facilities Engineering Command (NAVFAC), to provide landfill services to all of the military facilities on Guam, was the primary focus of procurement activity during the period. The contract was completed and fully executed at the end of September, and services began on October 1, 2011. In addition to the Receiver, the Office of the Attorney General and the Lieutenant Governor of Guam approved the contract for the Government of Guam.

Other activity for this reporting period primarily involved identifying the remaining items that needed to be completed to begin the close-out process for the construction contracts for the Layon Landfill and access roads. These include a few items that were added by change order and have a later completion date than the original contract as well as items identified in the various inspections. These "punch-list" items will be monitored until completed in compliance with the construction contracts.

We have also continued to develop the Request for Proposals (RFP) for the Household Hazardous Waste (HHW) Program. As we noted in our last report, we have not issued an RFP for this program pending further development of the plans for the new transfer station to be located adjacent to the GSWA building at the DPW compound. Our original plan for the HHW facility called for a design-build-operate procurement. Potential problems for a private entity building its own facility on government-owned property have caused us to reconsider this approach. We are now pursuing a traditional design-build plan for the HHW facility as a part of the new Harmon Residential Transfer Station. We will issue an RFP for the operation of the HHW Program; however, we will await a firm schedule for the construction of the Harmon facility before issuing the HHW procurement.

Table 2 provides a list of the Receiver's primary contracts, the amounts spent to date on these contracts, and the status of the work. Direct employee contracts and payments, contracts in connection with ongoing litigation, payments to the Government of Guam, and one-time expenditures are not included in the table but are reported elsewhere in this Report.

Table 2

Consent Decree Contracts as of September 30, 2011				
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	$ 10,045,245	$ 10,045,245	Closed
Core Tech International	Layon Landfill - Construction of Access Road and Utility Improvements for Community	$28,284,622	$25,146,459	On-going
Black Construction Corporation	Layon Landfill - Construction of Entrance Facilities and Cells 1 and 2	$23,956,628	$23,791,307	On-going
Brown and Caldwell	Planning environmental monitoring for final closure of Ordot Dump	$ 6,192,198	$ 570,997	On-going
Nippo Corporation	Safety improvements for Dero Road	$ 19,134	$ 19,134	Closed
Asia Tiger Construction	Emergency Repairs at Transfer Stations	$ 33,378	$ 33,378	Closed
EA Science and Technology	Groundwater Quality Monitoring Services	$ 1,862,102	$ 1,118,905	On-going
TG Engineers, PC	Layon Landfill - Design and Engineering Services	$ 9,522,562	$ 2,760,146	On-going
Winzler & Kelly	Construction Management Services for Consent Decree Projects	$ 4,875,284	$ 4,881,717	On-going
Shaw Environmental, Inc.	Technical Assistance	$ 305,347	$ 26,275	On-going
Pacific Human Resources Services, Inc.	Temporary Staffing Services for the Solid Waste Management Division	Indefinite	$ 677,547	On-going
Alpine Technology, Inc.	Customer Service Software	$ 317,466	$ 243,226	On-going
Far East Equipment	New Trucks, Roll-off containers and Trash Carts	Gov Guam Purchase Orders	$ 3,823,386	On-going
Triple J Enterprises, Inc.	New trucks	Gov Guam Purchase Orders	$ 91,700	Subject to Future Bidding
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	$ 246,054	On-going

Note: Does do not include individual employee contracts or payments, contracts relating to ongoing litigation, retainage or expenditures directly paid by the Government of Guam. All contracts are inclusive of change orders approved through the date of this report and expenditures through September 30, 2011. An amendment is currently pending to add funds to the Winzler & Kelly Contract.

Tabs 5 and 6 provide the Court with a list of approved change orders for the Consent Decree contracts listed in Table 2. Tab 7 includes all individual payments made under these contracts.

8. Financial Issues and Capital Funding (July 2011 – September 2011)

Overview

Delinquent commercial customers have been the primary focus of our work since the last Status Hearing. We continue to closely monitor the cash flow of the GSWA and its cost for both debt service and operating expenses. We have updated our rate model for revising the rates structure currently pending before the Public Utilities Commission (PUC). In this section, we provide updates on the following:

- Operating results for the GSWA for FY 2011, from October 1, 2010, to September 30, 2011
- Delinquent residential customers
- Commercial accounts
- Capital funding
- Update on rate recommendations to the Public Utilities Commission
- Bridge and roadway repairs and replacements
- Waste disposed at the Ordot Dump and Layon Landfill

Operating Results for the GSWA for FY 2011, from October 1, 2010, to September 30, 2011

On September 1, 2011, the last month of the current reporting period, the Layon Landfill and the Hauler-Only Transfer Station began operation. This important milestone also marked the beginning of a new phase in the financial management of Guam's solid waste system. Beginning October 1, 2011, we will begin to track expenditures against the FY 2012 budget approved by the Court in its Order of September 2, 2011.

Before considering the expenses of the new Layon Landfill and Hauler-Only Transfer Station, total expenditures for FY 2011 were about 26 percent under budget. Table 3 shows these operating expenditures for FY 2011.

Table 3

Guam Solid Waste Authority
Operating Budget
FY 2011
October 1, 2010 to September 30, 2011

Item	FY 2010 Actual Expenditures	FY 2011 Approved Budget	FY 2011 Actual Spending (Unaudited)	% over (under) Budget
Personnel Expenses:				
Regular Salaries	$ 1,554,024	$1,473,213	$1,432,769	-2.7%
Overtime/Special Pay	$ 186,578	$191,391	$164,517	-14.0%
Benefits	$ 416,216	$508,281	$359,931	-29.2%
Sub-total	$2,156,818	$2,172,885	$1,957,217	-9.9%
Non-Personnel Expenses:				
Travel	$ 1,152	$0	$0	N/A
Contractual Services	$ 1,237,862	$2,112,723	$1,983,751	-6.1%
Supplies and Materials	$ 476,431	$1,003,380	$541,674	-46.0%
Equipment	$ 8,246	$575,000	$21,534	-96.3%
Utilities - Power and Water	$ 23,481	$138,000	$86,615	-37.2%
Communications	$ -	$12,041	$0	-100.0%
Capital Outlay	$ 9,150	$460,000	$0	-100.0%
Banking Fees			$206,385	
Miscellaneous	$ 49,424	$15,000	$6,452	-57.0%
Sub-total	$ 1,805,746	$ 4,316,144	$ 2,846,411	-34.1%
Grand-total	**$ 3,962,564**	**$6,489,029**	**$4,803,628**	-26.0%

*Does not include encumbrances

Table 4 provides the Court with a summary of the revenue billed by class of customer and the actual cash collections for each class of customer for FY 2011.

Table 4

GSWA Revenue Billed / Collected
October 1 through September 30
FY 2011

Customer Class	Billed	Collected	%
Commercial	$ 8,470,692	$ 7,497,682	88.5%
Residential	$ 5,074,559	$ 5,079,377	100.1%
Government	$ 404,981	$ 37,471	9.3%
Total	$ 13,950,232	$ 12,614,530	90.4%

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

Cash collections from residential customers slightly exceeded the amount billed. As indicated in past reports, this is due both to continued efforts to improve residential collections and the fact that revenue from the transfer stations and service restoration charges are included in the residential collections category. When transfer station revenue is excluded, cash collections from residential customers are about 93.5 percent of billed charges. This is slightly less than was the case in our last Quarterly Report.

Collections from Government customers continued to be weak. This was driven primarily by our agreement with the GWA, which allows GWA to accumulate charges for disposal of biosolids. As we have previously reported, GWA has been allowed to accumulate charges with the intent that the accumulated balance will be applied as a prepayment by GWA for treatment of leachate from the Layon Landfill.

With the opening of the Layon Landfill, it is becoming evident that the GWA account must be addressed. The balance owed by GWA as of September 30, 2011, was $599,643.99. Additional charges are accumulating at a rate in excess of $20,000 per month. Our research into the potential charges for leachate treatment indicates that a conservative estimate of the cost of leachate treatment in the first operating year of the Layon Landfill is unlikely to exceed the cost of one month of biosolids disposal for GWA. The Court has placed this matter before the PUC. We will work with both GWA and the PUC to resolve this matter as soon as possible.

Exclusive of GWA, government customers accumulated charges of $99,431.88 but only paid $37,471 during FY 2011. While the amount owed is small relative to the total budget of GSWA, it constitutes additional funds owed by the General Fund of the Government of Guam to the GSWA.

During the period ending September 30, 2011, cash collections from commercial customers improved, resulting from our continuing focus on commercial accounts and implementation of the delinquency policy approved by the Court. Important issues remain in this area, and we will address them in more detail later in this Report.

As the solid waste management system enters a new era with the opening of the Layon Landfill and the Hauler-Only Transfer Station, and with the financial commitments that come with the new system, the

financial condition of the GSWA becomes increasingly important. Table 5 outlines our estimate of the GSWA's financial condition as of September 30, 2011.

Table 5

Guam Solid Waste Authority

30-Sep-11

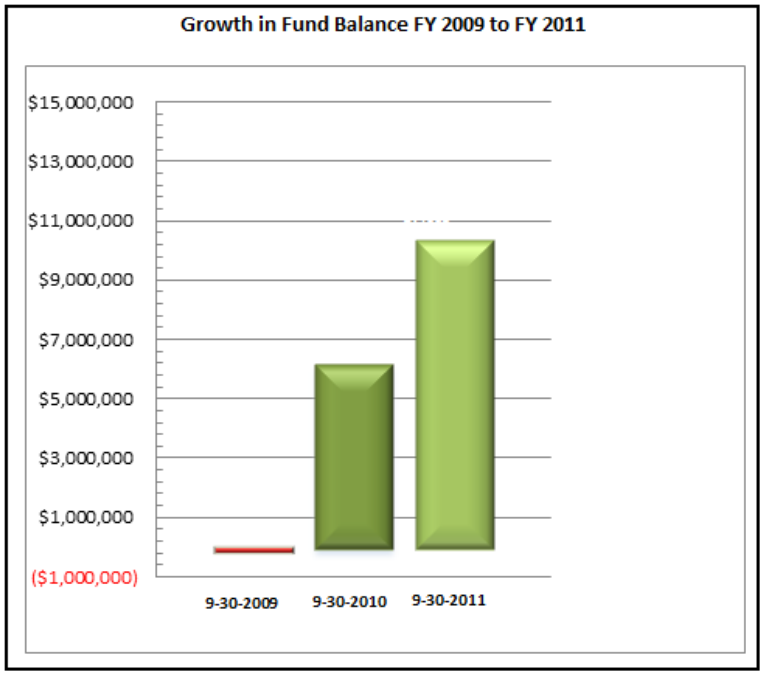
(Unaudited)

Elements of Fund Balance	Amount
Fund Balance @ 9/30/10	$ 6,227,550.00
Revenue FY 2011	$ 13,950,232.43
Expenses FY 2011	$ 9,840,043.21
Excess (Deficit) FY 2011	$ 4,110,189.22
Fund Balance @ 9/30/11	$ 10,337,739.22

Note: Revenue is on accrual basis.

Figure 9 shows the improvement in the financial condition of the GSWA, comparing the financial condition of the organization on September 30, 2009, with the financial condition on September 30, 2010, and September 30, 2011.

Figure 9



While the continuing improvement in the overall financial condition of GSWA is a critical factor, the cash position of GSWA is even more essential for sustaining the progress Guam has achieved. A critical element of GSWA's cash position is the Government's adherence to the plan approved by the Court to

repay the GSWA for cash improperly removed from the accounts of the GWSA in 2010. We are pleased to report that the Government continues to make its payments in a timely manner. Table 6 shows the progress through September 30 in the repayment process.

Table 6

Credit Balance of the GSWA with the Government of Guam General Fund

	A	B	C	D	
Month	Beginning Balance	GovGuam Payment	SWMD Advance to GovGuam	Actual SWMD Expenses Paid By GovGuam	Ending Balance
Feb-11	$ 4,751,493.35			$ (341,475.22)	$ 4,410,018.13
Mar-11	$ 4,410,018.13	$ (192,750.00)	$ 381,476.98	$ (462,894.67)	$ 4,135,850.44
Apr-11	$ 4,135,850.44	$ (385,500.00)	$ 781,734.53	$ (540,182.27)	$ 3,991,902.70
May-11	$ 3,991,902.70	$ (192,750.00)	$ -	$ (379,380.31)	$ 3,419,772.39
Jun-11	$ 3,419,772.39	$ (192,750.00)	$ 390,867.27	$ (351,627.69)	$ 3,266,261.97
Jul-11	$ 3,266,261.97	$ (192,750.00)	$ 390,867.27	$ (362,905.22)	$ 3,101,474.02
Aug-11	$ 3,101,474.02	$ (192,750.00)	$ 781,734.54	$ (409,975.42)	$ 3,280,483.14
Sep-11	$ 3,280,483.14	$ (192,750.00)	$ 390,867.27	$ (582,265.66)	$ 2,896,334.75

Table 7 shows the cash balance in each GSWA account on September 30, 2011, and compares the total cash with the cash balance we projected at the time of the agreement with the Government of Guam for the repayment of the cash it improperly withdrew from these accounts.

Table 7

Comparison of Actual Cash Position with Expected Cash Position

Available Cash	Cash Balances Febuary 2011	Mar-11	Jun-11	Sep-11
Cash on Hand:				
Citibank Primary Account	$ 1,411,738.36	$ 1,314,929.23	$ 1,124,849.92	$ 1,319,544.99
Citibank SWMD Accounts	$ 863,216.09	$ 792,769.30	$ 1,783,129.17	$ 2,837,344.12
Bank of Guam SWMD Accounts	$ 609,435.11	$ 971,386.83	$ 923,087.27	$ 600,725.74
ANZ Bank SWMD Account	$ 11,686.55	$ 16,551.68	$ 15,440.04	$ 172,253.62
Bank Pacific SWMD Account	$ 250,000.00	$ 328,498.25	$ 405,683.04	$ 489,330.98
Actual Cash Balances	**$ 3,146,076.11**	**$ 3,424,135.29**	**$ 4,252,189.44**	**$ 5,419,199.45**
Expected Cash Position*	**$ 3,146,076.11**	**$ 3,184,688.57**	**$ 4,479,127.99**	**$ 4,827,525.14**
Difference	$ -	$ 239,446.72	$ (226,938.55)	$ 591,674.31

*Expected cash position is based on Receiver projections made in February 2011 in conjunction with the agreement with the Government of Guam for repayment of excess withdrawls made by the Government in FY 2010 and FY 2011.

The cash position of the GSWA at September 30, 2011, has improved when compared to the earlier projections. This is primarily related to improved payments from commercial accounts. We will continue to carefully monitor cash to ensure that sufficient cash is maintained at all times to meet all obligations of the GSWA in a timely manner.

Payments for operating the GSWA are made through the Government of Guam or through the Citibank Primary Account pursuant to the procedures approved by the Court. Tab 8 provides a detailed list of all transactions affecting the Citibank Primary Account for the period.

Delinquent Residential Customers

Residential customers who are delinquent in their accounts increased during the period ending September 30, 2011. Table 8 shows the number of delinquent residential accounts for September 2010, March 2011, June 2011 and September 2011.

Table 8

Delinquent Residential Accounts

Month	Active Residential Customers	Number Delinquent	Percent
September 2010	19,938	2,997	15.0%
March 2011	17,068	2,026	11.9%
June 2011	16,999	659	3.9%
September 2011	16,926	1,643	9.7%

The residential customer base remains relatively stable. We will continue to monitor residential delinquencies carefully and keep the Court informed.

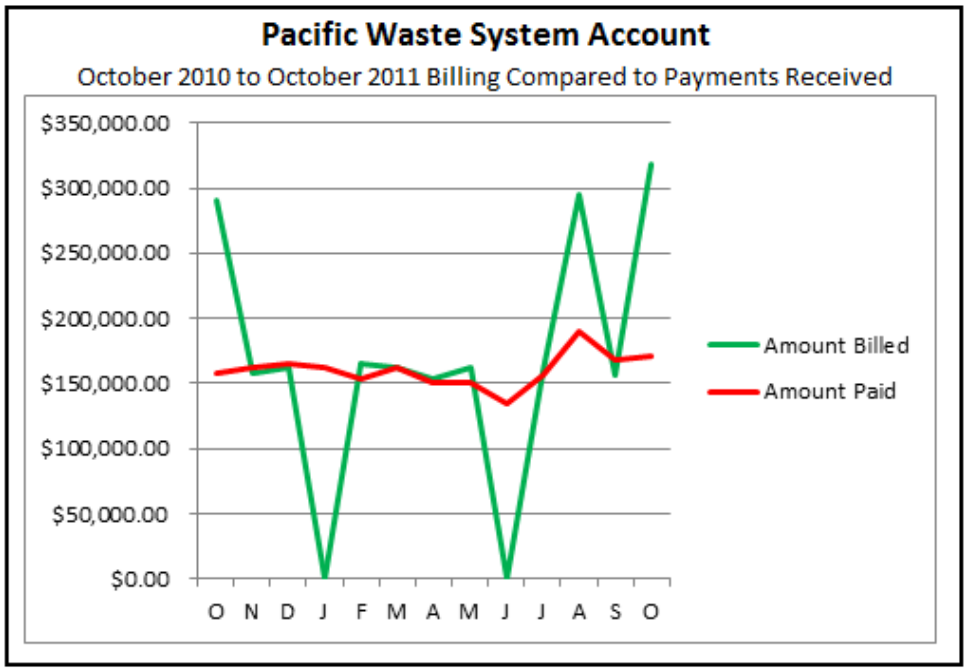
Commercial Accounts

The Receiver has focused a substantial effort on the large commercial accounts to ensure that these accounts are fully paid within the time allowed by Guam law and to encourage these accounts, once in good standing, to qualify for the discount recently authorized by the Court. While there remain significant challenges in this area, we are pleased to report significant progress.

In our last Report to the Court, we noted that only one commercial account, Mr. Rubbishman, was current in its obligations. The remaining four large commercial haulers were reported as delinquent. Since the last Status Hearing before the Court, two additional large commercial accounts have become current in their obligations. These accounts are Island Waste Management and Pacific Waste System. Mr. Rubbishman's account has also remained current, placing three of the five large commercial accounts in good standing.

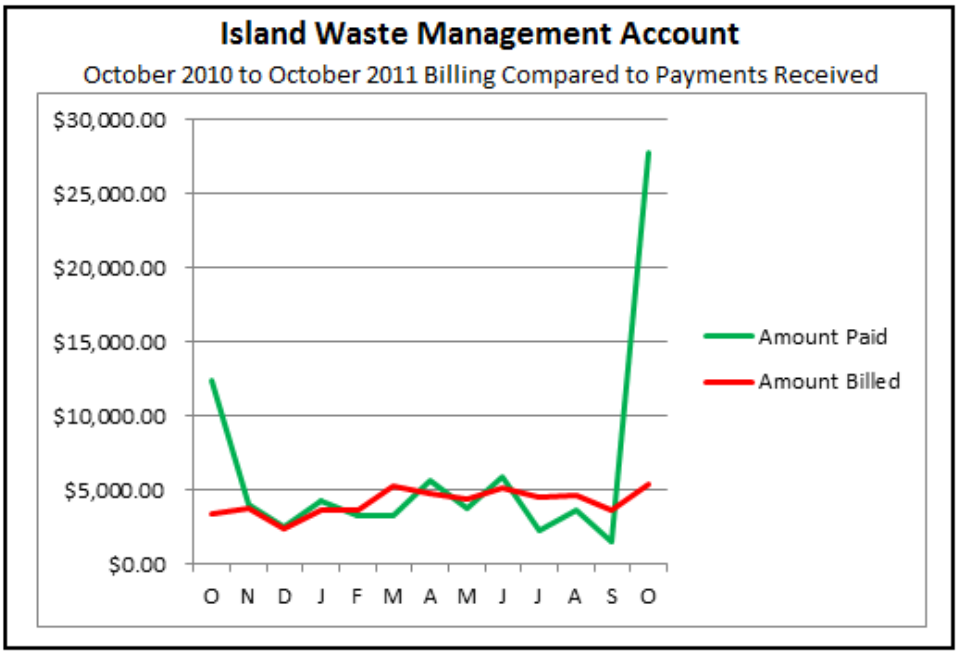
Figure 10 demonstrates the improvement in the account of Pacific Waste System. Pacific Waste System presented detailed documentation of $98,413.15 in credits that should have been made to the company's account in previous years and made substantial payments to address the delinquent balance.

Figure 10



Island Waste Management also made substantial payments to address its account deficiency. The activity in Island Waste Management's account is shown in Figure 11.

Figure 11



The accounts of Trashco and Lagu Sanitation remain delinquent. We have extended the time before enforcing the delinquent policy to allow further efforts to settle the issues raised by the companies. We will continue our efforts to reach an agreement with these companies and keep the court informed.

Figures 12 and 13 provide the Court with an update on the account activity for Trashco and Lagu Sanitation since the last Report to the Court.

Figure 12

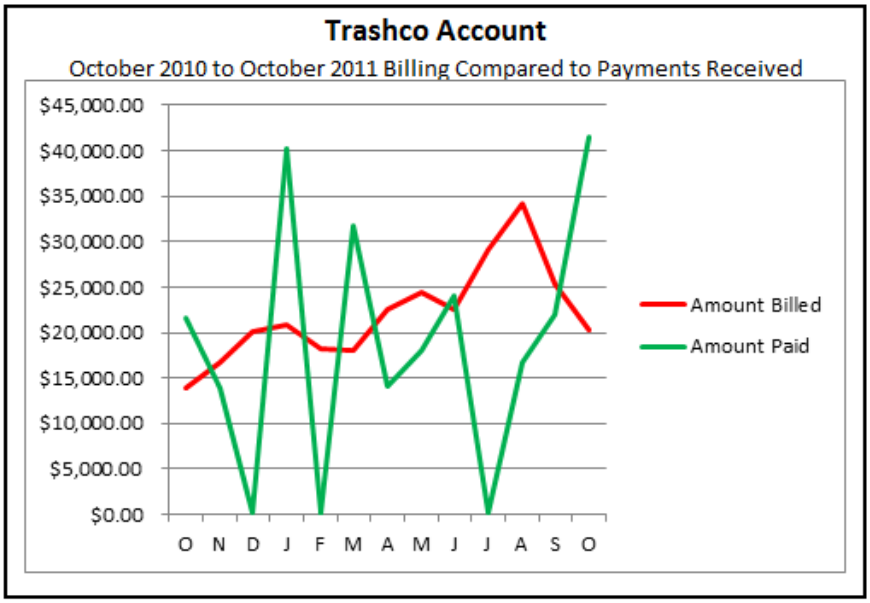
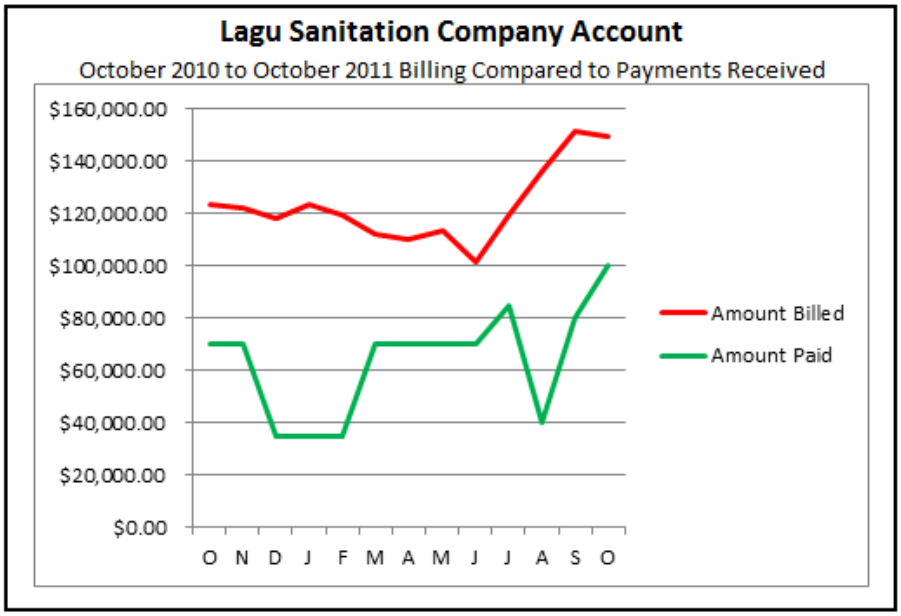


Figure 13



The balance owed by Trashco on October 31, 2011 was $337,141.04 and the balance owed by Lagu Sanitation on October 31, 2011 was $1,596,880.23.

Capital Funding

Table 9 summarizes the capital cost and estimated savings to date. Since construction of the Layon Landfill is complete, except for a few outstanding punch list items and final work on a few change orders with completion dates that occur after September 30, 2011, there have only been minor changes in these numbers since our last Report.

Table 9

Estimated Capital Savings
Layon Landfill and Associated Projects

Capital Budget Item	Original Budget Amount	Near Final Cost	Estimated Savings
Layon Landfill	$ 57,040,900	$ 34,001,873	$ 23,039,027
Landfill Access Road and Sewer System	$ 23,981,400	$ 28,284,622	$ (4,303,222)
Construction Management - Layon	$ 7,316,400	$ 8,185,544	$ (869,144)
Landfill Equipment	$ 6,380,000	$ -	$ 6,380,000
WWTP Expansion & Leachate Pre-Treatment - Layon	$ 11,025,000	$ 4,926,935	$ 6,098,065
Transfer Station/HHWF	$ 5,505,000	$ 5,505,000	$ -
Transfer Station Equipment	$ 2,440,000	$ -	$ 2,440,000
Operating Equipment	$ 5,941,400	$ 4,585,446	$ 1,355,954
Total New Construction/Equipment	**$ 119,630,100**	**$ 85,489,421**	**$ 34,140,679**

As we have noted before, there are a number of outstanding issues that still have the potential to affect final capital cost. These include:

- Final construction cost for the Layon Landfill
- The cost of implementing the Household Hazardous Waste Program, required by the Consent Decree
- The cost of mitigating safety issues on Route 4 (to be discussed in more depth later in this Report)
- Litigation pending on the value of the Layon Landfill's site
- The cost of upgrades to the transfer stations and the new transfer station to be located at the GSWA building in the DPW compound
- The results of the Curbside Recycling Pilot Program

We will continue to monitor these issues closely and keep the Court informed.

Payments from the Citibank Construction Subaccount were $5,009,726.11 during the period July 1, 2011, through September 30, 2011. Deposits to the Construction Subaccount were $11,215,200.96, including interest earnings and transfers from the Section 30, Series 2009A Construction Account at the

Bank of Guam. The balance in the Citibank Construction Subaccount on September 30, 2011, was $19,151,656.65. The Department of Administration has continued to provide timely reimbursements to the Construction Subaccount in accordance with the provisions of the Supplemental Bond Indenture. Tab 9 provides a detailed listing of all transactions affecting the account during the reporting period.

Table 10 provides the Court with an accounting of the retainage being held for contractors paid from the Construction Subaccount.

Table 10

Retainage on Trustee Account Payments

As of 9/30/2011

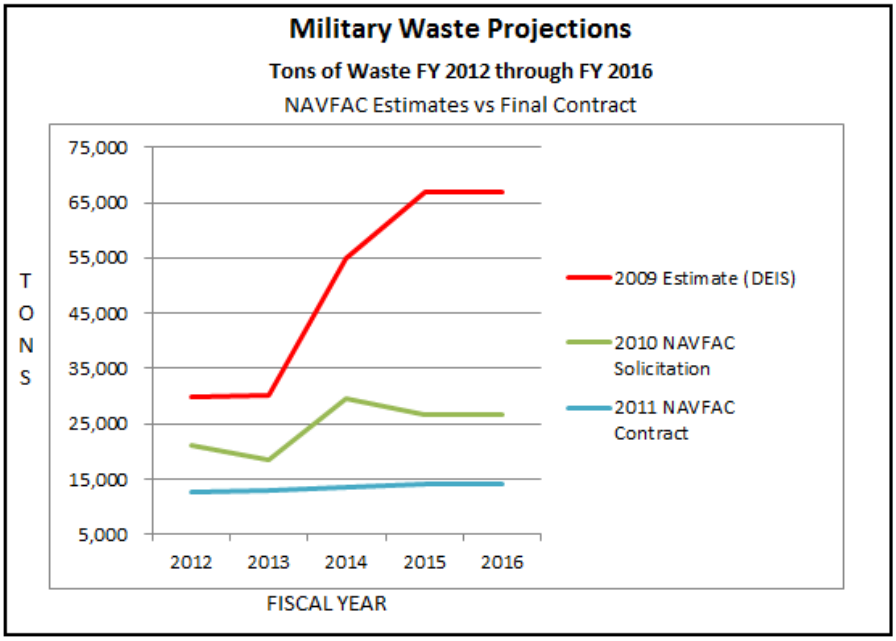
Company	Description	Amount
Black Construction Corporation	Retainage	$ 7,656.89
Core Tech International Corporation	Retainage	$ 1,408,304.78
EA Science and Technology	Retainage	$ 22,559.40
Brown and Caldwell	Retainage	$ 63,444.06
TG Engineers, PC	Retainage	$ 67,651.75
Winzler & Kelly	Retainage	$ 77,672.16
Total Retainage Held.....		**$ 1,647,289.04**

When the retainage obligations are considered, on September 30, 2011, the Construction Subaccount had a balance of $ $17,504,367.61 available for future Consent Decree obligations.

Update on Rate Recommendations to the Public Utilities Commission

We had anticipated that a key element for rate stability would be the Military becoming a customer of the new system. While this has now become a reality, it has become apparent that the Military significantly overestimated the amount of waste it would produce for disposal at the Layon Landfill. Figure 14 shows the estimates provided by NAVFAC compared to the actual contract. In addition, it should be noted that during the first two months of the contract, the actual waste delivered was significantly below the contracted amount of waste.

Figure 14



Rates for disposal are determined by dividing the cost of the system by the number of tons disposed at the landfill. The greatly reduced number of tons coming from the Military creates a smaller number of tons to carry the cost than would have been the case had the Military's earlier projections been accurate. The result is a higher rate for disposal.

Another major consideration in the rate-making process is the stated intent of the Government of Guam to permit a private landfill on Guam. We have stated on several occasions the reasons we believe permitting a second landfill is a mistake. We have also presented comments and concerns to the Administrator of GEPA and the Office of the Attorney General regarding the landfill permit application now pending before GEPA. These comments and concerns are included in this report as Tab 10. We understand, however, that this is ultimately a decision for the elected leaders of Guam. However, during the time we are charged by the Court with responsibility for the assets of the solid waste management system, it is our fiduciary duty to protect these assets, and in order to do that, we must set rates with the understanding that an additional landfill puts these assets at risk.

If Guam allows only the Layon Landfill, we will be able to sustain rates that allow for full cost recovery, which includes reimbursing the General Fund of the Government of Guam for the Section 30 revenue it devotes to paying the debt service on the bonds used to build the landfill and its associated projects. Should Guam actually approve a permit for a second landfill, the only reasonable course of action for the Receiver, to ensure that the assets we are charged with protecting are actually protected to the best of our ability, is to reduce cost and the rates designed to recover this cost.

Rates must cover operating cost but do not have to cover debt service since it is already covered by the Government's Section 30 revenue. With a "one landfill" business model, we have the ability to set rates

to recover the debt service and in turn, this enables the Government to be reimbursed for the Section 30 Revenue it uses to pay for the bonds.

In a "two landfills" business model, it is not possible to maintain the rates at the level necessary to reimburse the Government for debt service on the bonds. If the Government proceeds with allowing a second landfill on Guam, the cost to the Government, beginning in 2013, will be $11,737,207.89 annually in lost reimbursement for debt service. Table 11 illustrates the rates and the cost to the Government of Guam in FY 2013 under each scenario. Details that make up these rate scenarios are contained in Tab 11.

Table 11

Guam Solid Waste Authority
2013 Rate Options

		2013 Rates	
Customer Type	Current Rate	One Landfill Rate	Two Landfill Rate*
Commercial (per ton)	$172.00	$225.00	$110.00
Residential (per month)	$30.00	$35.00	$20.00
Cost to GovGuam	$0	$0	$ 11,737,208

*Assumes approval of GRRP Permit

There are strategies that would allow the Government of Guam to maintain the "one landfill" approach contemplated by its 2009 Section 30 bond issue. These include:

1. Adopt Flow Control – The United States Supreme Court has ruled that a government may require all waste collected within its jurisdiction to go to a designated publicly owned landfill (see Tab 12 for more information);

2. Rigorously enforce the same environmental standards for new landfill applicants as were applied for the Layon Landfill; and

3. Require that any land used for a landfill must be owned by the applicant.

We understand that this is a decision for the Government of Guam; however, we strongly recommend that the decision should be made only after fully considering the financial and environmental implications of the decision.

Bridge and Roadway Repairs and Replacements

We have continued to monitor the progress DPW reports weekly to the Court with respect to the bridge and roadway repairs and replacement projects that have been a part of the Consent Decree. Based on the reports filed with the Court, progress appears to be on schedule. With respect to the ongoing

evaluation of the As-Alanso area and the report from W&K/GHD concerning highway safety issues on Route 4, we continue to await DPW's recommendations. We will keep the Court informed on these issues.

Waste Disposed at the Ordot Dump and Layon Landfill

As the Court knows, waste deliveries to the Ordot Dump ceased on August 31, 2011, with the opening of the Layon Landfill. While in this and future Reports we will continue to show the waste deliveries that occurred at the Ordot Dump for historical and analytical purposes, all waste disposed after September 1, 2011, will go to the Layon Landfill. Table 12 shows the amount of waste received for disposal through September 30, 2011. We will continue to monitor this vital information and keep the Court informed.

Table 12

Monthly Waste (Tons) Disposed at Ordot Dump / Layon Landfill
2009-10 and 2010-11

Month	2009-10	2010-11	% Change
June	6,301	6,850	8.7%
July	6,811	6,940	1.9%
August	7,186	7,126	-0.8%
September	6,700	7,278	8.6%
October	6,961	6,975	0.2%
November	6,512	7,062	8.5%
December	7,466	7,329	-1.8%
January	6,695	6,902	3.1%
February	6,222	6,346	2.0%
March	7,039	6,908	-1.9%
April	6,455	6,557	1.6%
May*	6,473	6,356	-1.8%
June	6,850	5,797	-15.4%
July	6,940	6,499	-6.4%
August	7,126	7,391	3.7%
September**	7,278	7,179	-1.4%
Total	109,015	109,495	0.4%

*The Ordot Dump's scales did not operate May 25 - 31, 2011 due to an electrical problem. Actual scale weight measured in May 2011 was 5,821.21. The total scale weight shown in this table is based conservatively on a 1.8% decline for the month, the lowest net change in any other month reported in 2010-11.
**Deliveries to the Layon Landfill began September 1, 2011.

9. Guam Solid Waste Authority

In our last Report, we provided the Court with an update on our analysis of the Guam Solid Waste Authority Act and the issues and questions for which we are seeking guidance from the Office of the

Attorney General. In its Order of October 15, 2011, the Court ordered the Office of the Attorney General to provide the guidance we have requested by October 15, 2011, but allowed the Receiver to work with the Attorney General if the October 15, 2011, date proved to be impractical. That date did prove to be impractical for the Office of the Attorney General. We are hopeful that we will receive this guidance from the Attorney General in the very near future.

10. Next Steps

Layon Landfill

- Continue to monitor the progress on the required bridge and roadway improvements and safety issues
- Work closely with GEPA as landfill operations and permit monitoring continue
- Develop reporting documents for quarterly reports of permit activities
- Continue Inarajan WWTP monitoring and leachate analysis
- Provide technical support to operator regarding landfill systems and permitting requirements
- Address warranty issues as needed
- Continue to pursue asphalt paving completion for the access road and other punch list items

Ordot Dump Closure

- Complete interim cap design, get regulatory input, and begin procurement and installation
- Pursue Right of Entry (ROE) agreements with remaining adjacent properties so that all field investigations can be performed
- Continue permitting efforts for the issuance of all permits needed for field investigations
- Complete installation of all groundwater monitoring wells and gas migration wells so that sampling events can commence as soon as practicable
- Continue to perform all field investigations and gather data to support design
- Continue to advance those portions of the design that can be performed without the need for field data, such as the Dero Road design work

Operations

- Continue to track recycling data from the participants of the Curbside Recycling Pilot Program
- Continue to evaluate the work that needs to be done on the transfer stations to make them compliant with all regulations and designs and build a new transfer station at the SWMD compound

- Develop a design and construct a building for the Household Hazardous Waste facility and procure the services of a private contractor to operate and manage the HHW operations

Financial

- Continue to work with contactors to assure an orderly close-out of the construction contracts
- Support the work for design and engineering services in connection with closure of the Ordot Dump
- Carefully manage the Citibank Trustee Accounts and the bank accounts of the GSWA and keep all parties informed
- Continuously monitor the system's cash flow to ensure that sufficient cash is on hand at all times
- Continue to carefully monitor expenditures and revenue collections
- Carefully monitor the volume of waste and update rate information accordingly
- Manage the contracts required to complete the Consent Decree projects
- Update the rate filing with the PUC and support the PUC's effort to approve final rates for the system
- Enforce the policies to assure that delinquent residential and commercial accounts are paid in full or service is terminated
- Review all Government accounts and require timely payment
- Work with the Military to ensure effective implementation of the contract
- Assist the members of the Guam Solid Waste Authority Board, when they are appointed, in preparing for their role after the Receivership ends