Guam SOLID WASTE RECEIVER

Quarterly Report
of
Receivership for the Government of Guam
Guam Solid Waste Authority
Pursuant to the Order of the
United States District Court of Guam

Presented by
Gershman, Brickner & Bratton, Inc.

December 7, 2011

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1. ORDOT DUMP CLOSURE
CONSENT DECREE PROJECT

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Ordot Dump Closure Process

- Activities focused on site investigative work
- Right-of-Entry (ROE) agreements – one of 2 critical factors that affect work progress
  - The first group of ROEs consisted of agreements for entry to 7 adjacent properties on which we believe critical investigative activities must occur
  - At the end of November, 6 of the first 7 ROEs have been signed by the owners and government officials
  - One ROE remains unsigned
  - A second group 3 additional ROE agreements are pending for access to other properties near the Ordot Dump

Ordot Dump Closure Progress

July 2011 – September 2011
(cont'd)

Borehole drilling for installation of monitoring well at Ordot Dump

Ordot Dump Closure Process
(cont'd)

- Weather: a second factor in performance of investigative work
  - Through October, Guam has received more than 103 inches of rain in 2011-- 40 inches of rain more than during the same time last year

Ordot Dump Closure Process
(cont'd)

- Field work progress hampered in this quarter by weather and ROE process
- Progress achieved: Permitted and began field investigations on GovGuam-owned property:
  - Geotechnical test pits
  - Geotechnical test borings
  - Groundwater monitoring wells
  - Gas migration monitoring wells

Monitoring well cap

Ordot Dump Closure Process

(cont'd)

- Geotechnical investigations ongoing
- Completed topographic survey of Dero Road and on-site Dump areas
- Developed Quality Assurance Project Plan – under review by GEPA/EPA
- Developed Environmental Pre-Design Work Plan – under review by GEPA/EPA

Gas monitoring well

Ordot Dump Closure Process
(cont'd)

- Completed Wetlands delineation
  - Submitted U.S. Army Corps of Engineer permit application for Nationwide Permit
  - Developing Wetlands Map
- Continued historical and cultural resource monitoring
- Continued unexploded ordnance (UXO) monitoring during field investigations
  - September 22, 2011. UXO found on-site

UXO – 75 mm projectile

Ordot Dump Closure Process
(cont'd)

- Provided project progress documentation through regular field progress reports

Dero Road drill location

Drill rig setup

Well completion

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Ordot Dump Closure Process (cont'd)

- Prepared interim cap design
  - Prepared interim cap design report, now being evaluated by GEPA and EPA: looks at alternatives and recommends geomembrane for cap
  - Preliminary cost estimate for the interim cap installation is at least $1 million
- Completed Dero Road safety striping

2. LAYON LANDFILL
Construction Wrap-up and Operations
CONSENT DECREE PROJECTS

Layon Landfill and Access Road

Construction Completion

- Since September 1, warranty work included:
  - Leachate pump controls
  - Sewage system flow meter
  - Fire alarm system checks
  - Pump station No. 2 controls
- Installed fuel supply system and performed testing
- Completed water system revisions
- Installed fire suppression system – lube storage room

Load cell checks at scale

Tank cathodic protection checks

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Layon Landfill and Access Road

Construction Completion

- Progress on access road punch list
  - Continued establishment of vegetation on slopes
  - Completed transition paving to residential driveways
  - Completed installation of various appurtenances on power and water systems
  - Addressing warranty issues as needed
  - Will pave remaining asphalt course when OK given by DPW

Site stabilization

Environmental Monitoring and Compliance

Environmental monitoring activities

Environmental Monitoring and Compliance

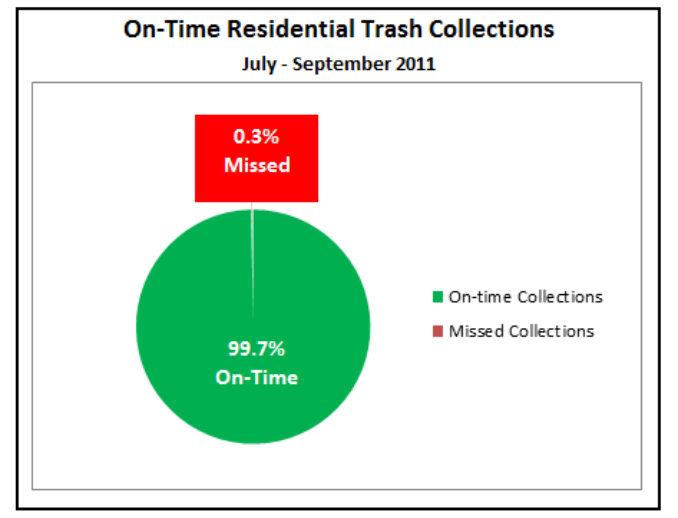
- Continued bi-weekly GEPA/EPA/Receiver coordination meetings
- Ensured ongoing compliance with all construction permits
- Landfill Facility Permit compliance with conditions precedent to operations
  - Performed quarterly sampling for stormwater
  - Performed sub-drain tank monitoring

Environmental Monitoring and Compliance (cont'd)

- Inarajan WWTP monitoring
  - Monitored marine waters and wastewater throughout period for baseline and landfill operations data
  - Submitted second quarterly monitoring report (June – August 2011) to GWA,GEPA and EPA in October 2011
  - Results for September and October: plant is handling new flows from landfill without adverse impacts to the quality of the effluent
- Preparation of permit applications for transfer stations (Agat, Dededo, Malojloj, and facility at Harmon Street site) continues with environmental assessments and preliminary design development

3. OPERATIONS OF THE GUAM SOLID WASTE AUTHORITY

Weekly Trash Collection



- Stable customer base of about 17,000 customer households
- Missed collections extremely low, less than one third of 1%
- No cart repairs needed

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Hauler-Only Transfer Station

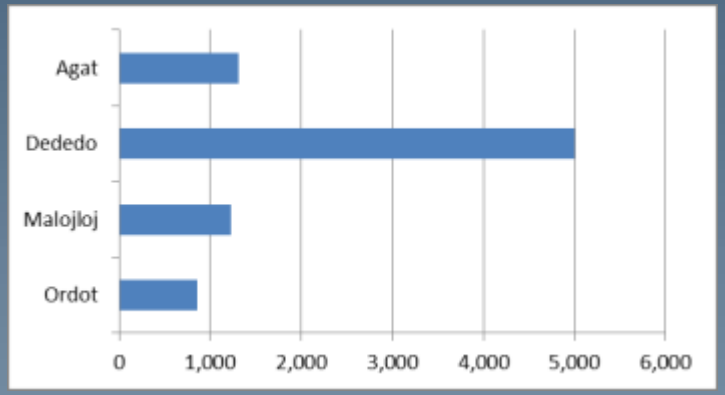
- Began operations on September 1, 2011
- Transported about 91% of the waste received at the Layon Landfill in September and October*
- Averaged 9.3 trips per day to Layon Landfill in September and October
- Escort vehicles, for safety purposes, accompanied all transport trucks to the Layon Landfill
- Costs for the facility averaging $207,000 per month

* The remaining waste delivered to the Layon Landfill was delivered directly to the landfill without going through the Hauler-Only Transfer Station.

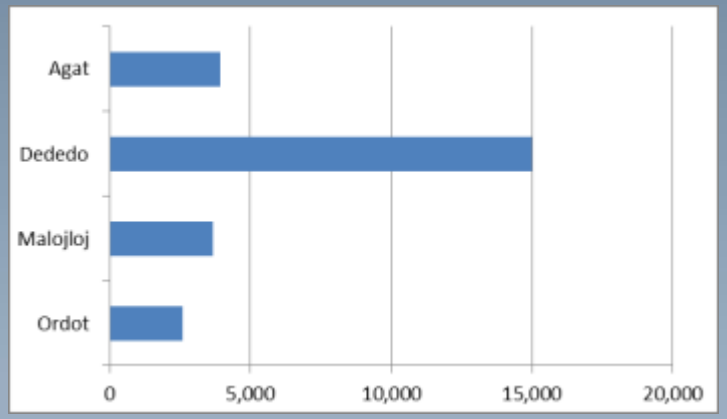
Residential Transfer Stations

- Customer use of residential transfer stations remains high
- Ordot Dump closed August 31as a transfer station when Layon Landfill opened
- Fees (effective September 1, 2011)
  - Under 3 CY $7.50
  - Over 3 CY $15.00
  - Recycling is free

Customers July 2011 –Sept. 2011



Cubic Yards Waste July 2011 – Sept. 2011



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4. CURBSIDE RECYCLING PILOT PROGRAM

Curbside Recycling Pilot Program

Current results:

- Contamination rate (July – Sept.) declined to 8% from 14% (Jan. – March) and 10% (April – June)
  - 5% considered excellent; 10% acceptable
- Recycling rate: increased to 30% from 21% (Jan. – March) and 24% (April – June)
- Set-out rate: stable at 54%
- Effect of three collection schedules on recycling and set-out rates being evaluated

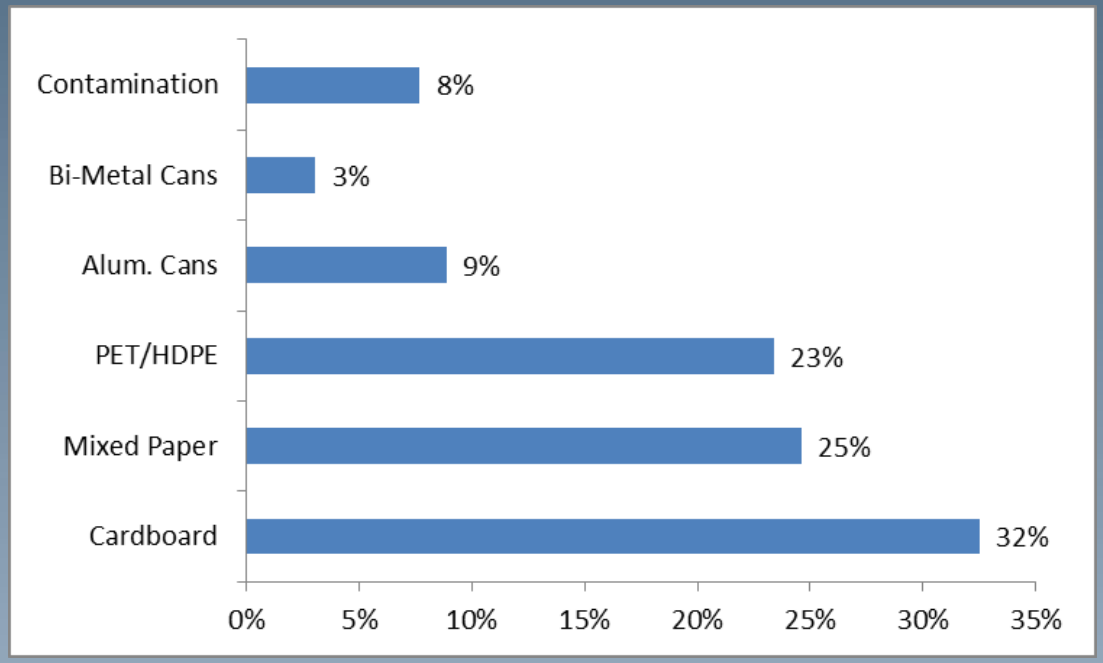
Curbside Recycling Pilot Program (cont'd)

Recyclables Collected, By Weight: Jan – Sept.

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

Curbside Recycling Pilot Program (cont'd)

Recyclables Collected, By Type: Jan – Sept.



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5. METALLIC AND BULKY WASTE COLLECTION PROGRAM

Metallic and Bulky Waste Collection

- Program launched Sept. 2011
  - Metallic: appliances, hot water tanks
  - Bulky: sofas, mattresses, furniture
- Sept.: 56 items from 23 customers
- Oct.: 476 items from182 customers
- Metallic waste taken to a scrap dealer to be recycled; bulky items inspected to see if they can be reused or recycled and if not, are disposed in Layon Landfill

Truck with knuckle-boom grapple hook picks up bulky and metallic waste

6. HOUSEHOLD HAZARDOUS WASTE PROGRAM

Household Hazardous Waste

- Consent Decree calls for a permanent HHW collection program
- Receiver working with Winzler & Kelly to design a permanent HHW facility and residential transfer station for the Harmon Street location
- A turnkey contractor to be selected to construct this facility
- An experienced and qualified operator will collect, characterize and properly dispose of HHW
- The operator will work with the Receiver to develop public education and outreach materials

7. CONTRACT MANAGEMENT AND PROCUREMENT

Procurement Activities
July 2011- Sept. 2011

- Executed contract with NAVFAC for landfill services
  - Contract is for 5-year term
  - Services began October 1st
  - Waste is delivered to the Hauler-Only Transfer Station
  - Working with NAVFAC to resolve contamination issues (i.e., excluded waste)
  - Carefully monitoring waste deliveries
  - Deliveries to date significantly below contract levels

8. FINANCIAL ISSUES AND CAPITAL FUNDING

Operating Results FY2011

- Expenditures 26% below approved budget before considering debt service and Layon Landfill
- Overall results (i.e., fund balance) strong
- Delinquent customers (residential and commercial) continue to be a focus
- Cash position shows continued improvement

Revenue Billed and Collected

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 collection from residential customers slightly exceeds amount billed due to effort to improve collections and fact that revenue from transfer stations and service restoration is included.

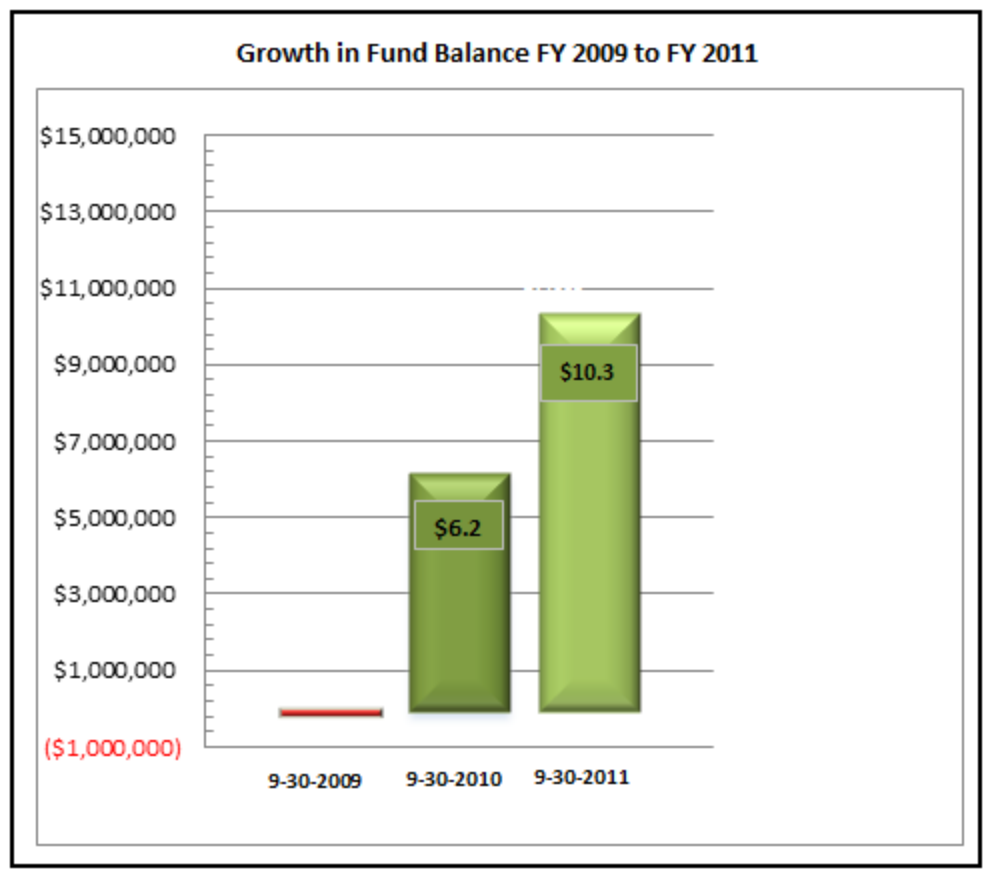
Cash collections from commercial customers has improved, due to consistent efforts to implement delinquency policy, approved by the Court.

Collections from Government Accounts

- Small percentage of collections from government primarily due to agreement between Receiver and Guam Waterworks Authority that allows GWA's balance to be credited against future cost of leachate treatment
- GWA continues to accumulate charges -- $20,000+/mo.

  -- with balance of $599,644 as of Sept. 30
- But conservative estimate of cost of leachate treatment not likely to exceed $20,000 in first operating year of Layon Landfill
- GWA's growing account balance must be addressed
- Receiver will work with PUC and GWA on this matter
- Other government customers owe about $62,000.

GSWA Fund Balance



Note: The 9-30-11 fund balance is estimated.

GSWA Cash Position

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.

Cash position has improved in large part due to improved payments from commercial accounts.

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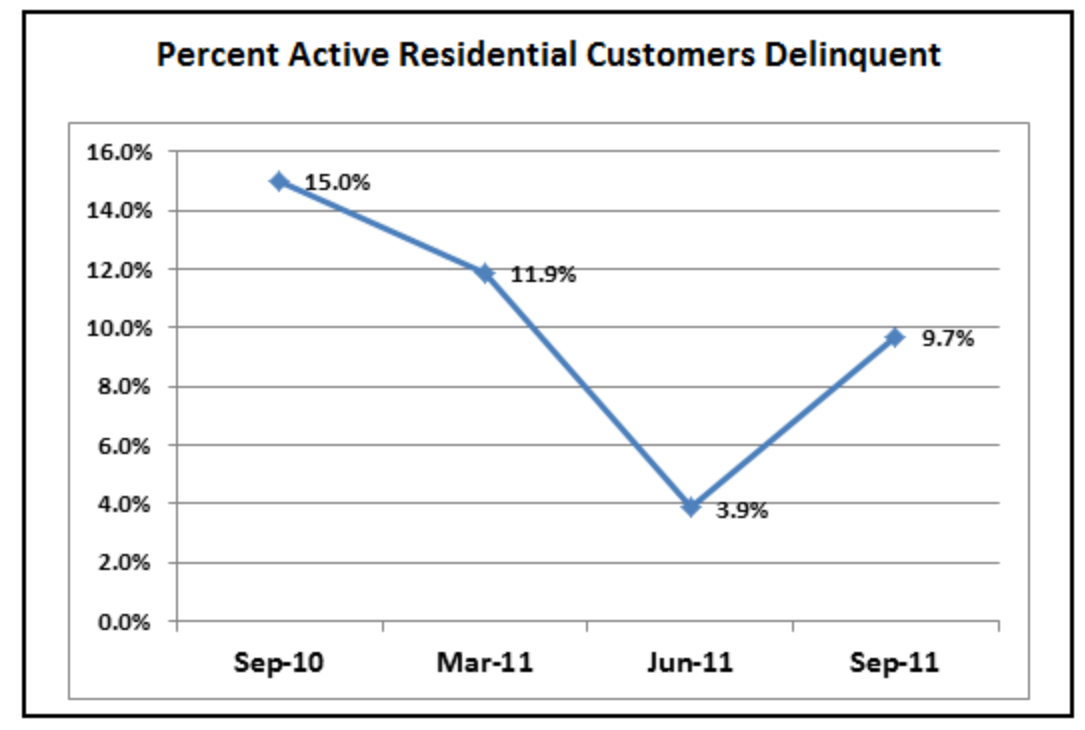
Number of Delinquent Residential Customers Has Increased



Delinquent Commercial Accounts

- Commercial customers provide more than 60% of billed revenue
- More than 99% of billed commercial revenue comes from 5 commercial haulers
  - Mr. Rubbishman
  - Trashco
  - Lagu Sanitation Company
  - Pacific Waste Systems, LLC
  - Island Waste Management
- Now, three out of five are current in payment obligations
  - Mr. Rubbishman
  - Island Waste Management
  - Pacific Waste Systems
- Two commercial haulers remain delinquent
  - Trashco
  - Lagu Sanitation

Capital Funding and Savings

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	Pending	$ -
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**	**$ 79,984,421**	**$ 34,140,679**

Recommendation: All savings be held as further contingency for Ordot Dump closure

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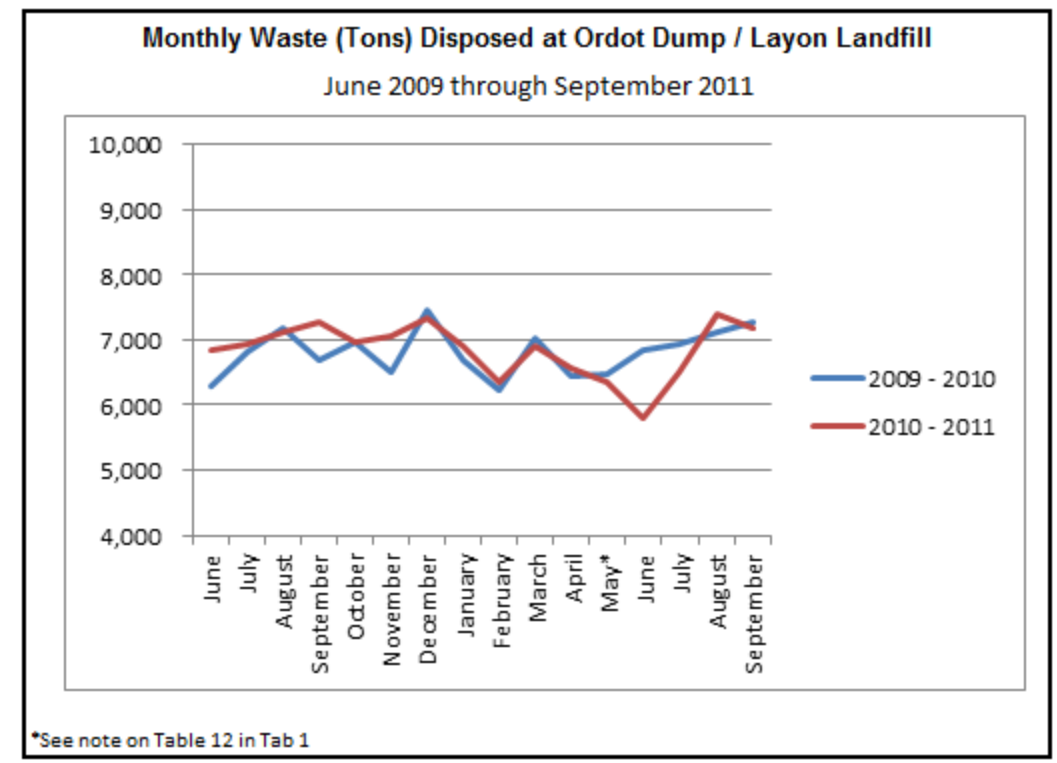
Status of Citibank Trustee Accounts

- Primary Citibank account (used for non-capital expenses paid through Citibank):
  - Payments: $3,091,287.25
  - Deposits, including interest: $3,285,982.32
  - Balance on September 30: $1,319,544.99
- Construction subaccount
  - Payments: $ 5,009,726.11
  - Deposits, including interest and transfers from Section 30, Series 2009A Construction Acct. at Bank of Guam: $11,215,200.96
  - Balance on September 30: $19,151,656.65

9. RATES: THE FINANCIAL IMPACT OF GRRP'S PROPOSED LANDFILL

Landfill Rates Are Directly Related to Tons of Waste



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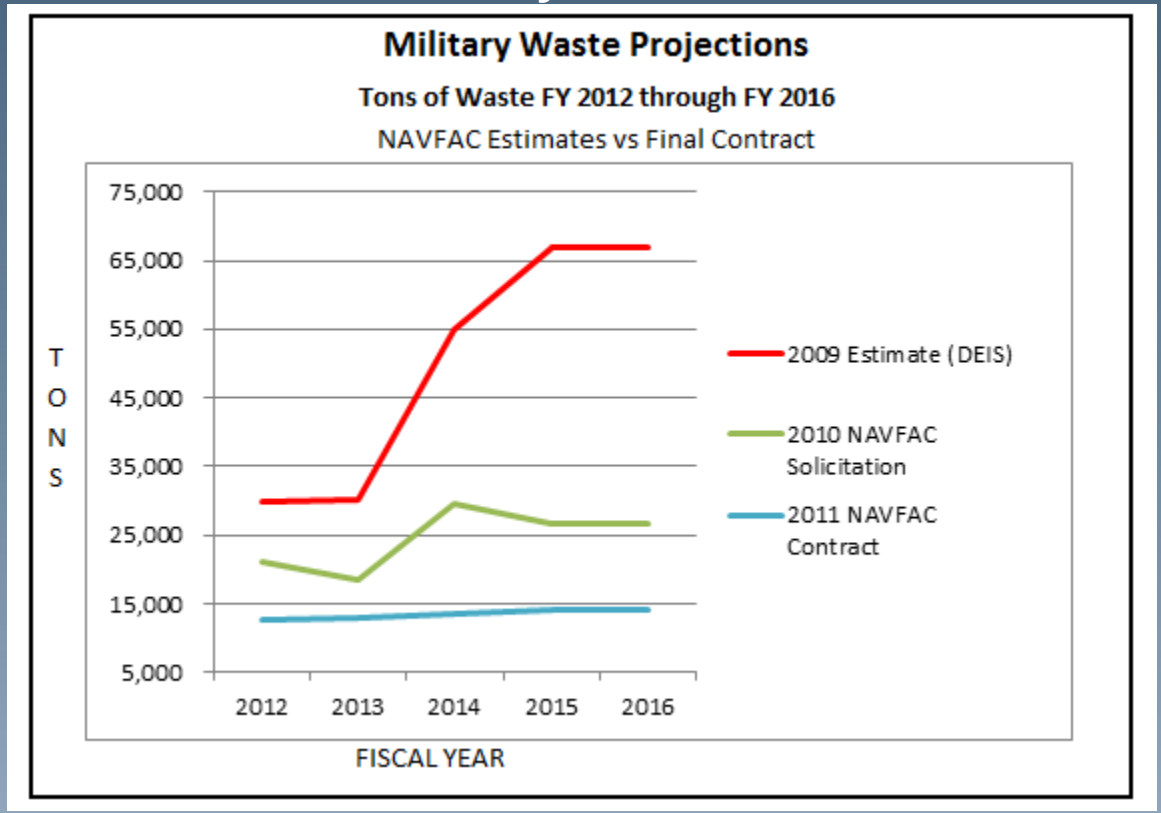
Landfill Rates Will Be Higher Than Expected Due to Lower than Expected Military Waste

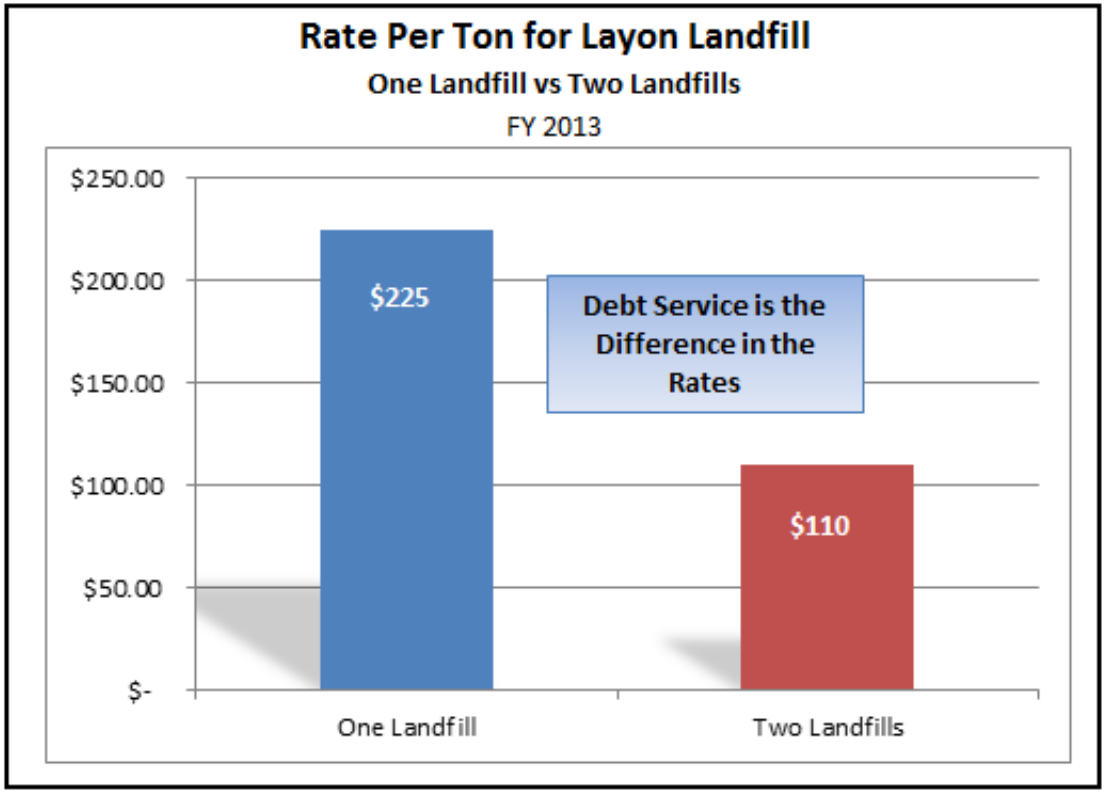


Note: Actual waste deliveries from the Military are only about 50 percent of the contract estimate in November.

Financial Impact of GRRP's Proposed Landfill

- Guam EPA has stated its "intent to issue" a permit to GRRP for a second landfill on Guam
  - A second landfill is not needed (Layon provides about 50 years of capacity)
  - GEPA does not appear to hold the GRRP Landfill to the same environmental standards as the Layon Landfill
  - GRRP has stated that rates for its landfill will be $120 per ton (*Pacific Daily News, Nov. 20, 2011)*
- The Receiver has a fiduciary responsibility to protect the assets over which the Receiver is responsible
- The only way to protect these assets is to reduce rates to be competitive if the Government of Guam allows another landfill
- If the Receiver is forced to reduce rates to be competitive with GRRP, it will create a major financial shortfall for the Government of Guam

Financial Impact of GRRP's Proposed Landfill



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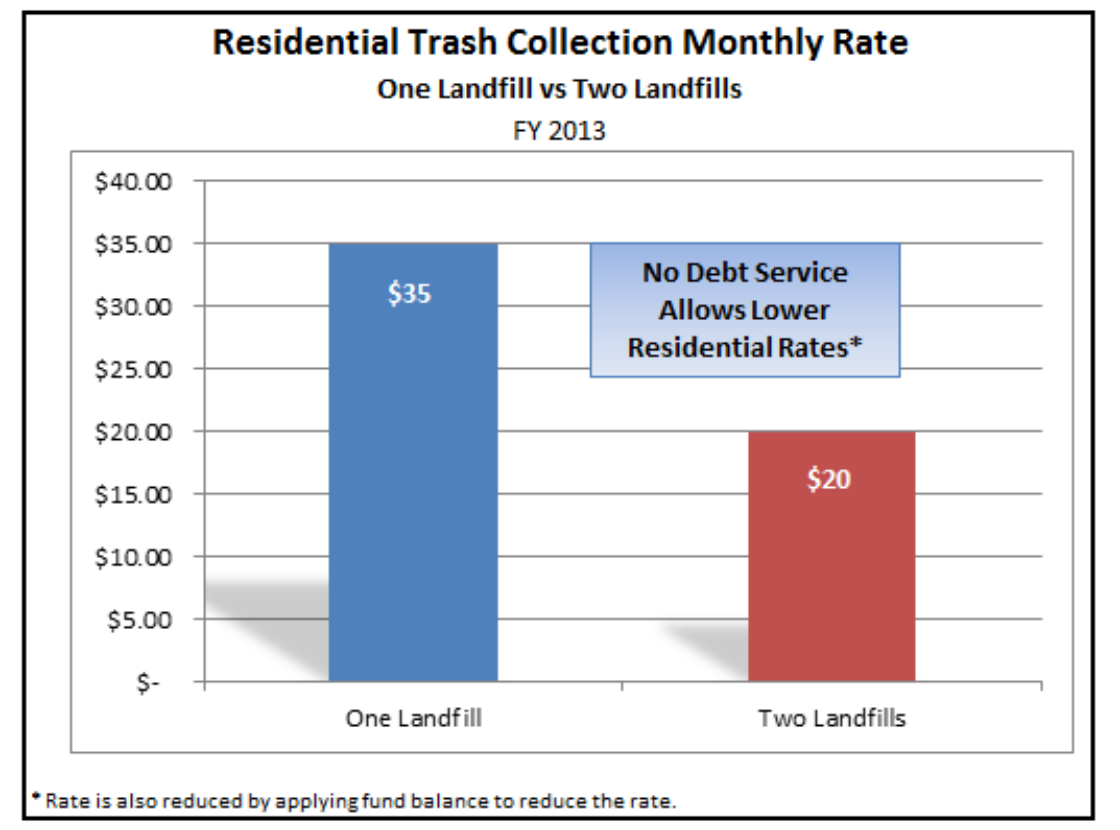
Financial Impact of GRRP's Proposed Landfill (cont'd)



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Financial Impact of GRRP's Proposed Landfill (cont'd)

Guam Solid Waste Authority
2013 Rate Options

Customer Type	Current Rate	2013 Rates: One Landfill Rate	2013 Rates: 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

Note: Detailed recommendations are provided in Tab 11 of the Quarterly Report and will be submitted to the PUC in the near future. These rates do not include the Host Community Benefit premium, which will need to be added by the PUC.

Financial Impact of GRRP's Proposed Landfill (cont'd)

- GovGuam clearly intended to recover debt service through tipping fees
- By authorizing a second landfill on Guam, this recovery will not be possible
- The General Fund will bear the $11.7 million annual cost of the debt service
- $11.7 million is equivalent to:
  - More than the General Fund's $8.5 million annual budget for DPW
  - More than half of the General Fund's $22.4 million annual budget for the Guam Police Department
  - More than half of the General Fund's $21.3 million annual budget for the Guam Fire Department
  - More than half the General Fund's $21.3 million annual budget for Guam's Court System

Strategies That Would Allow Guam to Remain a One-Landfill Community

- 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 of the Court Report for more information)
- Rigorously enforce the same environmental standards for new landfill applicants as were applied for the Layon Landfill
- Require that any land used for a landfill must be owned by the applicant

If a 2nd Landfill Permit Is Approved

- The Receiver understands and will respect the Government of Guam's decision in this matter
- The Receiver will have no choice but to reduce tipping fees to be competitive in FY 2013 and future years
- Reduced fees will not allow the Receiver to reimburse the General Fund for debt service
- The Receiver strongly recommends that the Government of Guam take appropriate action to eliminate the possibility of a 2nd landfill

Winners and Losers with Two Landfills

Winners:

- ✓ Solid Waste customers get lower rates
- ✓ Solid Waste Authority maintains funds for operations and maintenance
- ✓ Bondholders continue to be paid with Section 30 money

Losers:

- x Government of Guam Budget loses $11.7 Million each year
- x GRRP owns landfill without competitive advantage
- x Chamorro Land Trust has unneeded landfill encumbering its land
- x Guam's environment gets unneeded landfill
- x Either service reductions are made or taxes for all will need to be increased to make up for lost Section 30 money

10. OTHER CONSENT DECREE ISSUES

Bridge and Roadway Repairs and Replacements

- We continue to monitor progress on Consent Decree bridge and roadway repairs and replacement projects
- Pending issues:
  - The stability assessment of the As-Alanso area ordered by the Court remains under DPW review
  - In response to Route 4-highway safety issues, Winzler & Kelly investigated, prepared report
  - We await DPW's recommendations

Guam Solid Waste Authority Act

- Receiver reviewed the Act and has several questions pending with the Office of the Attorney General
- Court ordered the Office of the Attorney General to provide guidance by October 15, but allowed for an extension if date wasn't practical
- The Office of the Attorney General needed more time to complete a review
- We expect to receive guidance from the Attorney General soon

11. NEXT STEPS ARE INCLUDED IN TAB 1 (Narrative Report)

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