

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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Guam Solid Waste Authority

Pursuant to the Order of the District Court of Guam (Court), dated March 17, 2008, appointing Gershman, Brickner & Bratton, Inc. (GBB) as Receiver for the Solid Waste Management Division (SWMD) of the Department of Public Works (DPW) of the Government of Guam (now the Guam Solid Waste Authority [GSWA]), we are pleased to submit to the Court this Quarterly Report (“Report”); covering six months: the third and fourth quarters of CY 2016¹. The purpose of this Report is to describe to the Court the progress made toward compliance with the Consent Decree for the reporting period July 1, 2016, to December 31, 2016, and to outline the Receiver’s recommendations for achieving compliance with the Consent Decree. As an integral part of this Report, the Receiver is also submitting the attached presentation entitled “Quarterly Report of the Receivership for the Government of Guam, Guam Solid Waste Authority” (see Tab 2).

Introduction

During the six months covered in this Report, the work to achieve compliance with the Consent Decree has advanced closer to completion. The Receiver has continued post-closure operations, maintenance, and compliance monitoring of the Ordot Dump Closure facility. During this reporting period the facility was in a year-long warranty period. In addition, construction commenced on the GSWA residential transfer stations located in Agat and Malojloj. The Receiver also continued to oversee operations at the state-of-the-art Layon Landfill and continued to operate solid waste and recycling programs and services for GSWA’s customers, ensuring they are served in a timely and cost-effective manner.

During the reporting period, post-closure operations at the Ordot Dump included developing operational protocols, conducting warranty service, and equipment maintenance. In addition, environmental monitoring activities have continued. These monitoring activities include:

- Monitoring groundwater, stormwater, and landfill gas at the Layon Landfill;
- Leachate and marine water monitoring; and,
- Gas, leachate, groundwater, stormwater and cover maintenance and monitoring at the Ordot Dump, as well as the associated compliance reporting.

¹ These reporting periods are also the final quarter of Fiscal Year 2016 (July 1, 2016 to September 30, 2016) and the first quarter of Fiscal Year 2017 (October 1, 2016 to December 31, 2016). The financial information in this report for the two fiscal years is separated to reflect these two financial reporting periods.

From an operational perspective, GSWA continued to operate smoothly and in compliance with all applicable environmental laws and regulations. The number of residential customers remained steady and residential trash collection crews continued to achieve outstanding results for customers. GSWA customer service staff also continued to achieve excellent results for customers while maintaining extraordinarily low delinquency rates.

During the reporting period, procurement activities for GSWA included the procurement of the required construction and other services to upgrade the residential transfer stations at Agat and Malojloj along with the environmental closure of the Dededo Residential Transfer Station. We also continued to work with legal counsel to pursue our claim on behalf of GSWA for liquidated damages in connection with Maeda Pacific Corporation's (MPC) failure to adhere to the contractually agreed upon schedule for delivering the Harmon Residential Transfer Station and the Household Hazardous Waste Facility.

Subsequent to the reporting period, the purchasing disputes that have delayed the acquisition of vital equipment critical to GSWA operations and the Consent Decree were resolved. Replacement vehicles have been ordered and are expected to arrive in a few months.

In the financial area, GSWA operating results for the reporting period covered by this report continued to be strong. GSWA's cash position remained stable during the reporting period and the fund balance is estimated by the Receiver to have increased during the reporting period.

Significant progress has also been made on the issues critical to the successful transition of GSWA to control by the GSWA Board of Directors; however, much remains to be done.

In this Report, we present the following updates for July 1, 2016, to December 31, 2016:

- 1. Ordot Dump Closure**
- 2. Layon Landfill and Other Consent Decree Projects**
- 3. Operations of the Guam Solid Waste Authority**
- 4. Contract Management and Procurement**
- 5. Financial Issues and Capital Funding**
- 6. Transition Issues**
- 7. Next Steps**

1. Ordot Dump Closure (July 2016 – December 2016)

Operations / Post Closure Care Period

Operations – The Receiver has continued to manage operations of the Ordot Dump Post-Closure Plan using the services of GHD² to manage operations in the post closure period, pending selection of a contract operator. A working set of Standard Operating Procedures (SOPs) was created for the gas collection and control system and leachate collection system based on the experience during this period. These will be included in the scope of work of the procurement for the Ordot Post Closure Care Operations, providing the new Operator with a jumpstart on facility operations and added detail to the procurement scope of work will aid in receiving more uniform proposals. Part of the operations continues to be warranty related work items addressed during this reporting period and are described in greater detail in the facility sections below.

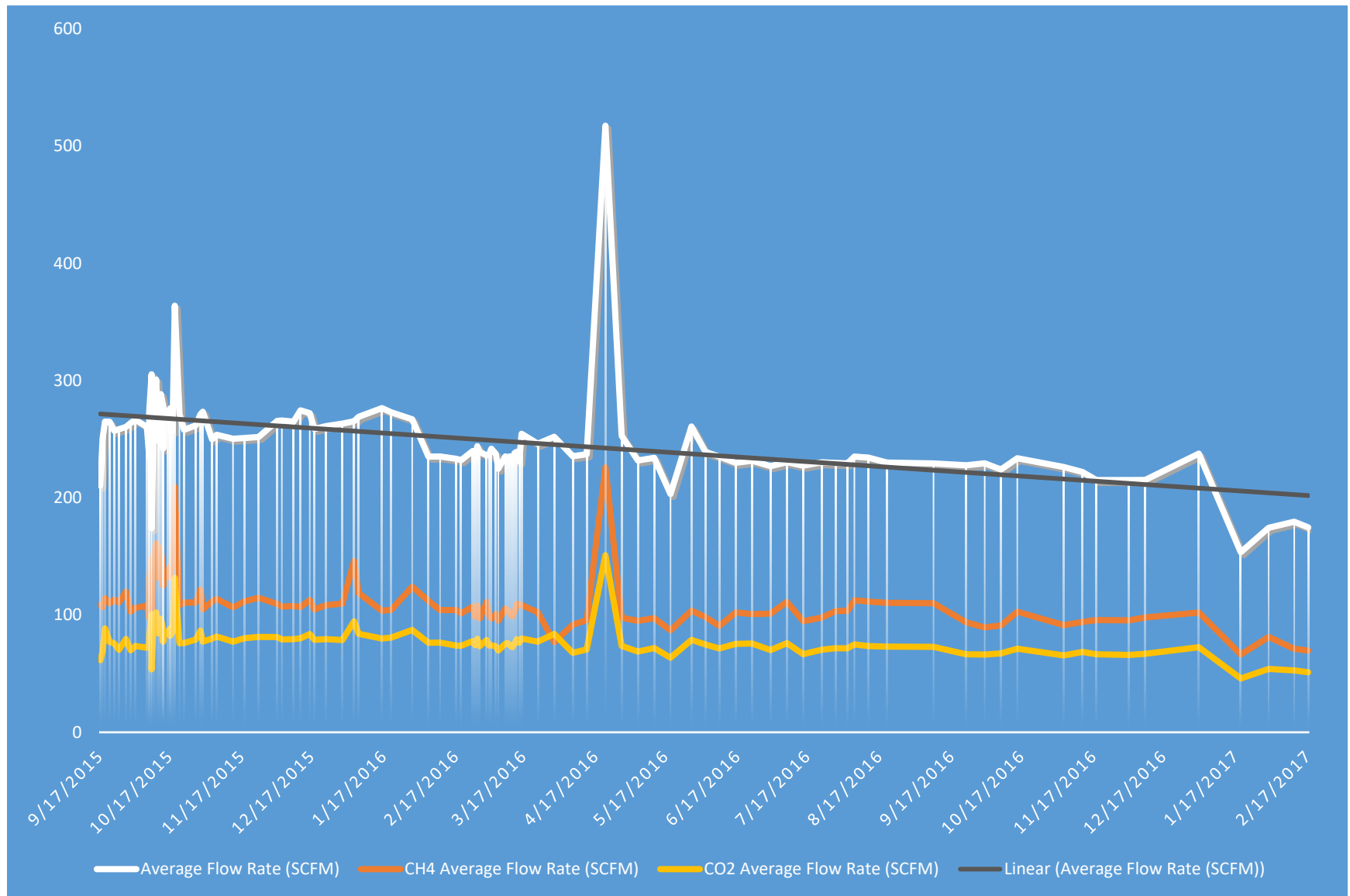
Along with the operations, the compliance monitoring and reporting is an important aspect of the post closure period activities. These activities provide feedback to regulatory and permitting authorities as to the performance of every aspect of the closure system. In the reporting period, the first semi-annual groundwater and surface water monitoring events were performed October 7th through 21st in accordance with the submitted Post Closure Care Plan. In addition, quarterly leachate sampling was performed twice (September 27th and November 16th) and the results reported to GWA, GEPA and USEPA. For the Gas Collection and Control System (GCCS), regular daily and weekly monitoring was performed on gas extraction wells and perimeter gas monitoring wells. Designers from Brown and Caldwell (BC) and operational specialists from Geo-Logic Associates (GLA) remain involved in the GCCS, providing appropriate operational technical support as the system continued to work through some issues. These included resolving a poorly functioning flare station blower and addressing residual soil gas mitigation for the post-closure plan. As with the GCCS, the operation of the leachate collection system has provided the Receiver the opportunity to address several operational issues before it is handed over to the post closure care operator. During this period, these included perimeter leachate collection pipe flushing and cleanout, and pump cleaning and repair. SOPs for the GCCS were developed and are presently being used for operations.

The operations, maintenance and compliance monitoring inspections for all the closure systems in this reporting period are described in the following sections in more detail.

Gas Collection and Control System (GCCS) – The system continues to operate, collecting landfill gas over the entire Ordot Closure system. It has operated since September 2015 and continues to prevent millions of cubic feet of greenhouse gases escaping into the air. The gas composition is primarily a mix of methane and carbon dioxide, both of which are greenhouse gases impacting global warming. Figure 1 (next page) shows the flow rate of landfill gas since collection began.

² GHD is the construction management consultant for the Receiver. This work is performed in conjunction with GHD's sub-consultant Geo-Logic Associates (GLA).

Figure 1 – Ordot Dump Gas Flow Rate and Composition Since Startup



As the design had anticipated, the flow rate is relatively low indicating that much of the waste is already in an advanced state of decomposition. The trend in the flow rate is slightly downward; however, it will fluctuate from time to time. Early in the process, there were several flow fluctuations related to the initiation of the gas system and balancing of the wells. The most recent event was in mid-December 2016, when Blower No. 1 was put back into operation replacing Blower No. 2, which resulted in a shutdown and restart of the flare. Figure 2 shows this activity underway. Blower No. 1 had originally been taken out of service in April 2016 and sent off island to have a number of warranty issues addressed. Re-installation of the blower in December generated a fluctuation in gas flow. The flow rate is monitored as part of the GCCS operations, maintenance and management of the gas system

Figure 2 – Flare Station – Blower Replacement



In addition to the routine operations, maintenance activities performed during this reporting period include:

- Monthly maintenance of the flare pad – which includes draining the blower, checking belt tension, draining the flame arrestor, cleaning the air conditioning filter and checking the various sensors that monitor moisture, pressure and flow;
- Warranty inspections of blower bearing temperatures;
- Flow Meter No. 1 removal for calibration off-island and replaced with backup meter;
- Flare shutdown/performance of leak test on all welds, connections, gauges and flanges;
- Blower Assembly No. 1 removed for warranty refurbishing work, Blower Assembly No. 2 installed; and,
- Pilot Light Solenoid Valve maintenance.

The management of this system is an ongoing and continual process of monitoring the gas generated from the waste. This requires weekly monitoring of gas composition generated at each of the extraction wells and making adjustments to create optimal conditions for gas collection, combustion, and prevent adverse conditions that would cause poor performance.

Perimeter Ordot Dump Landfill Gas Monitoring Network – This is the perimeter landfill gas monitoring wells: a network of 18 wells around the entire perimeter of the closure system. These wells are monitored weekly for the presence of gas in the soil outside the closure system. The maximum allowable percentage of methane in the gas readings in each well for compliance with regulatory standards is to be less than 5 percent. With the closure system in place, all wells are in compliance with this standard, with the exception of two in an area where a significant amount of waste was relocated into the main waste pile. We are working with USEPA and GEPA to continue to monitor and take proactive steps to reduce readings to compliant levels. In the previous reporting period we developed a gas mitigation plan for the immediate area surrounding the wells with readings above 5 percent. The draft mitigation plan has been reviewed by USEPA and GEPA providing comments on the approach and type of investigation. Responses to their comments have been developed and now require review. We will continue to work with USEPA and GEPA to execute a mitigation plan that is acceptable to these regulatory agencies during the post closure care period.

Currently routine maintenance work for the wells included vegetation clearing around all LFGMW to maintain a firebreak at each wellhead.

Leachate Collection System – The leachate collection system has been operating effectively for over a year since it was put into operation in late January 2015. Reporting for this period indicates the leachate quality continues to meet Guam Waterworks Authority (GWA) discharge standards to the public sewer system. Flow volumes continue to be lower than design targets since the closure system has been in place. Over the course of the six-month reporting period, more than 5.4 million gallons of leachate has been captured, with an average daily flow over the six months of approximately 30,000 gallons, and 20,000 gallons daily with over 14.3 million gallons collected since operations commenced. Leachate quality and quantity continues to be reported quarterly to GWA as well as to GEPA and USEPA.

Operation of this system is a 24 hours per day, seven days per week responsibility, and requires periodic maintenance of the leachate tanks, pumps, electrical controls, piping, and a backup power generation system. Other maintenance work in the reporting period consisted of:

- Leachate collection pipe inspections with camera followed by pipe cleaning;
- Pump intake pipe clogging removal of bacterial growths; and,
- Routine pump screen cleanings.

The operational and inspection routine is conducted on a daily basis and consists of the following daily activities:

- Photo documentation;

- Pump total flow rate check;
- Tank level check; and,
- Tank secondary containment draining.

Water Quality Monitoring Network - There is a network of ten³ groundwater wells and four surface water sampling locations around the entire perimeter of the Ordot Dump closure system. The ten groundwater monitoring wells are required to be sampled on a semi-annual basis, coincident with four surface water locations in the post closure care period. Nearly all of the monitoring wells were installed during the investigatory phase of the closure design effort to understand the existing groundwater conditions and to develop baseline values from which to compare future water quality monitoring. The four surface water quality monitoring locations are the same as those in the investigatory phase. The wells of the water quality monitoring network are included in the routine site inspections and maintenance being performed during this period.

The first semi-annual water quality monitoring event was conducted in October 2016 for the second half of the calendar year (CY) 2016. The sampling was conducted in general accordance with the sampling and analytical procedures included in the Post-Closure Care Maintenance Plan (Brown and Caldwell, 2013) and the Sampling and Analysis Plan – Water Quality Monitoring for the Ordot Dump (GLA, 2016). In accordance with the Code of Federal Regulations, Title 40, Part 258 requirements, data obtained from this sampling event will be statistically analyzed following the collection of seven more groundwater monitoring events. Once eight data sets are available, a suitable statistical method will be selected and employed, accounting for site specific hydrogeological conditions, as well as monitoring well construction, location, and monitoring use.

When sufficient data are available for these analyses, the results will be summarized with statistical summary tables, time-series charts, and trend analysis relative to applicable Guam and Federal Water Quality Standards. At the time of the preparation of this report, the draft Water Quality Monitoring report was under internal review to prepare the report for submission to GEPA and USEPA. Preliminary review of the data results for this sampling event indicate that aside from elevated levels for Total Suspended Solids, the Total Dissolved Solids (particularly aluminum and iron concentrates) found in the results are not uncommon for groundwater samples collected from wells located in volcanic geologic formations like those found at Ordot. Only one constituent, a Poly-Aromatic Hyrdocarbon (PAH), was detected at a quantifiable concentration in one downgradient well.⁴ This is a resultant compound typically associated with combustion. Further sampling data gathered over time will provide a more complete and representative picture.

³ The previous quarterly report erroneously stated that there were seventeen groundwater wells.

⁴ PAHs are a group of semi-volatile organic compounds.

The Sampling Analysis Plan used for the first semi-annual water quality monitoring event performed in this reporting period is under review by USEPA and GEPA. We anticipate performing the second post-construction semi-annual event during the second quarter of calendar year 2017.

Cover System – The cover system, now installed, has been designed for long-term stability and low maintenance requirements for the duration of the Ordot Dump post closure care period. In the initial year or two of the post closure period there will be settling and adjustment of the coralline limestone infill of the geocell layer, and there will be some erosion of this material as it stabilizes and vegetation is established. During this reporting period grass mowing of the cover area was performed monthly and weekly when growth required. The mowing requirements are to cut grass to a 6-inch height and to remove any woody plants from establishing on the cover area, to include Trunken Gágu (Ironwood tree), Tángan-Tángan, and Sácate (swordgrass). Figure 3 below, presents an example of that effort. Beyond mowing, very little maintenance is anticipated in the first several years of the post closure period; however, regular compliance inspections, monitoring and reporting is performed as required by the post closure care plan.

Figure 3 – Cover Maintenance, woody vegetation removal



Stormwater Management Systems – Stormwater conveyance channels function as part of the cover system conveying stormwater off the cover system. These have performed adequately over the past six months with no issues. The stormwater is conveyed to the four stormwater detention ponds, which capture sediment and temporarily retain stormwater, allowing it to slowly enter the environment as required by applicable environmental regulations. These systems were put into service as soon as they were completed and regular inspections are performed along with the cover system inspections. In our last report, we were monitoring a few locations on the cover system where there is some localized

settlement of stormwater swales. During this past 6 months we have continued to monitor with no change in settlement and no new areas exhibiting settlement. The channels were made with concrete. As a result, there is expected to be some initial settlement and cracking which will dissipate over time. We will continue to monitor these areas and make repairs as needed.

The stormwater ponds are regularly inspected and maintained with sediment and vegetation removal dictated by prescribed threshold conditions (such as sediment depth and height or thickness of vegetation) when they occur. Standard maintenance procedures and frequency are being refined to assure consistency in the maintenance of these areas. One design aspect of the stormwater ponds is their enhancement of the site as wetland habitat for native flora and fauna, including endangered species. The Marianas Moorhen (Pulattat) has been frequently sighted in the facility ponds as they are ideal open water habitat for such avian water species.

Perimeter Security Fencing – In this most recent reporting period, the fencing systems were maintained through vegetation removal from the fence and on the adjacent ground on either side. No intrusions from feral pigs occurred at any point along the 7,000 foot long enclosure during the reporting period. The fence was constructed with a concrete ground barrier at its base to prevent burrowing from animals. Completed in January 2016 and surrounding the entire closure facility, the security fencing encompasses the Ordot Dump closure cover system, the stormwater ponding basins, the gas collection system, the leachate collection system, and the perimeter groundwater and gas monitoring wells. This eight-foot-high security fence system provides a permanent barrier for the duration of the 30-year post closure care period. Routine inspections occur daily and weekly.

Construction Management and Construction Quality Assurance

Construction Certification Report – The purpose of this report is to document to the USEPA that, in our professional opinion, the closure system has been completed in compliance with the Contract Drawings and Technical Specifications developed by the Brown and Caldwell Ordot Dump closure design. During construction the necessary observations and testing were made to verify that the construction was conducted properly. The Final Construction Management (CM) and Construction Quality Assurance (CQA) Report is a written narrative that includes a description of construction observations, CQA personnel, CQA scope of work, test methods, procedures, CM and CQA test results, CM and CQA acceptance documentation and photo documentation of the construction work.

The combined CM – CQA report was submitted to USEPA in early February 2016. In this reporting period we have responded to comments from USEPA, providing revised documents as needed. Subsequent to this reporting period, on May 12, 2017, USEPA formally accepted the certification of closure construction for the Ordot Dump, marking a major milestone in compliance with the Consent Decree. Tab 3 provides the Court with a copy of this documentation.

Post Closure Care Period - Under Federal law and regulation, the Ordot Dump Facility must be managed and cared for in compliance with an approved Post Closure Care plan (Plan) for thirty years following the completion of closure construction. In order to execute the post closure care requirements with an acceptable degree of certainty, the Receiver, supported by the United States, and approved by this Court,

has developed a financial plan to assure funding to pay the estimated cost of the post-closure plan. USEPA has asked that Standard Operating Procedures (SOPs) be made part of the Plan when they are completed. Completing the SOPs is a two-step process. In this reporting period, the Receiver has completed all of the SOPs needed at this point in time. They are refined and adjusted for flexibility in operations as needed. These SOPs will be incorporated into the Ordot Operator RFP for Post Closure Care Operations. A primary requirement of the procurement is to provide a Statement of Work for prospective operators to know what is expected for management and maintenance. The Ordot Dump Post Closure Care Plan, the associated system management and maintenance plans for the various closure systems, and the SOPs will be primary documents in the procurement package.

Dero Road Renovation /Construction – As we have previously reported, this work was awarded through a competitive process to Hawaiian Rock Products, Inc (HRP), who substantially completed the contracted work on October 26, 2016. We also reported an additional stormwater issue came to our attention that appeared to be related to prior development nearby, but outside the roadway. Although the work already completed as a part of the Receiver’s project will address the flooding issues at that intersection during normal rainfall events, it may not address the flooding issues in the intersection that occur when the area experiences the very heavy rainfalls that frequently occur on Guam.

We have now completed an analysis of the options available to further mitigate flooding in this area. Two options were identified:

1. Construct an underground chamber (UGC) on property currently used for parking by the Agueda Johnston Middle School; and
2. Deepen a natural stormwater retention area near the intersection.

Unfortunately, both options offer only small reductions in potential flooding when the area experiences Guam’s typical extended heavy rainfalls. In addition, both options create potential problems for the community. Option one will be disruptive to the school during construction and during periodic routine maintenance. Option two conflicts with the “protection area” of a nearby GWA water well. We do not believe this protection area should be disturbed.

The only other course of action appears to be removing the private development causing the problem. We did not evaluate this option since we believe this approach is beyond the scope of the Receiver’s authority. Unless otherwise directed by this Court, the Receiver plans no further action be taken and that the Dero Road project be considered complete.

2. Layon Landfill and Other Consent Decree Projects (July 2016 – December 2016)

Construction Management

During the reporting period, the construction management (CM) consultant, GHD, provided ongoing construction support for the remaining areas of the Receiver’s construction work. The CM activities consisted of the following:

- Support with the documentation and resolution of the construction claim and dispute with Maeda Pacific Corporation; and
- Assistance to the Receiver in procurement and construction management activity as needed for:
 - GWA Pump Station surge tank procurement and construction management; and
 - Agat, Malojloj and Dededo Transfer station procurement and construction management.

Upgrade of Agat, Malojloj Residential Transfer Stations and Dededo Residential Transfer Station Closure

On November 9, 2016, notice to proceed was issued to Core Tech International Corporation to execute the renovation of the Agat and Malojloj Residential Transfer Stations and the environmental closure of the Dededo Residential Transfer Station within a contract period of 365 calendar days. The work commenced in this reporting period consisted of mobilization to the site with equipment and materials, development and review of material submittals, and the processing of traffic encroachment permit applications to DPW.

At the time of the preparation of this report, the sites have been cleared and the removal of solid waste has commenced at the Agat location. At the Malojloj location, the work has progressed similarly; however, there has been a recent finding of prehistoric use of a corner of the site and it may be necessary to set aside this area for preservation. Appropriate measures were taken by the Archaeological Consultant and Contractor to immediately protect the area and the Guam Historic Preservation Office was informed to provide consultation and direction to ascertain the extent of the area to be preserved. This preservation will impact the design and possibly the construction period. We will continue to comply with this and any other revisions ultimately required to preserve areas deemed to be of historical importance. Changes like this, while necessary, can be both costly and time consuming, and can put the construction timeline at risk should they continue to occur. We will keep the Court informed of developments and the necessary changes to design and the construction schedule.

Work on the environmental closure of the Dededo Residential Transfer Station will begin later this year and is expected to be completed before the end of 2017.

Environmental Monitoring and Compliance

Sound environmental practices and permit conditions require extensive and ongoing monitoring of the GSWA facilities, particularly the Layon Landfill. During the reporting period, the Receiver continued to facilitate environmental compliance with USEPA and GEPA by holding bi-weekly meetings and by regularly reporting data and the results of environmental testing and monitoring. In this section, we will discuss each area of monitoring and our plans to ensure compliance at the Layon Landfill as well as at the transfer stations.

Layon Landfill Municipal Solid Waste Facility and Title V Air Permits – Since GEPA’s issuance of both the Facility Operations permit and Title V Air permit on January 28, 2015; environmental reporting is in compliance with permit conditions.

The Layon Landfill Solid Waste Operations Facility and Title V Air permits contain multiple reporting requirements. During operations, the landfill operator, under the oversight of the Receiver, provides permit reporting, supported with information from the third-party environmental compliance consultant, on stormwater, groundwater, landfill gas, surface water and leachate. The Receiver and operator coordinate on the reporting and work diligently with GEPA and USEPA to comply and remain up-to-date with all required permit conditions. During this reporting period, semi-annual reports were submitted as required under the Title V Air Permit in July 2016, and operational year annual reporting was submitted on time to GEPA and USEPA under the Solid Waste Operations permit in September 2016. Annual operations reporting is presented in Section 3 of this report, “Operations of the Guam Solid Waste Authority.”

In addition to the forgoing, the Layon Landfill must be in compliance with its Federal Industrial Stormwater NPDES permit. The Layon Landfill has the required Stormwater Pollution Prevention Plan (SWPPP) to carry out the requirements under this permit. Regular inspections are conducted, maintenance performed, best management practices implemented, testing is completed, and the Layon Landfill remains in full compliance. Annual reporting under this permit is required early in the first quarter of 2017.

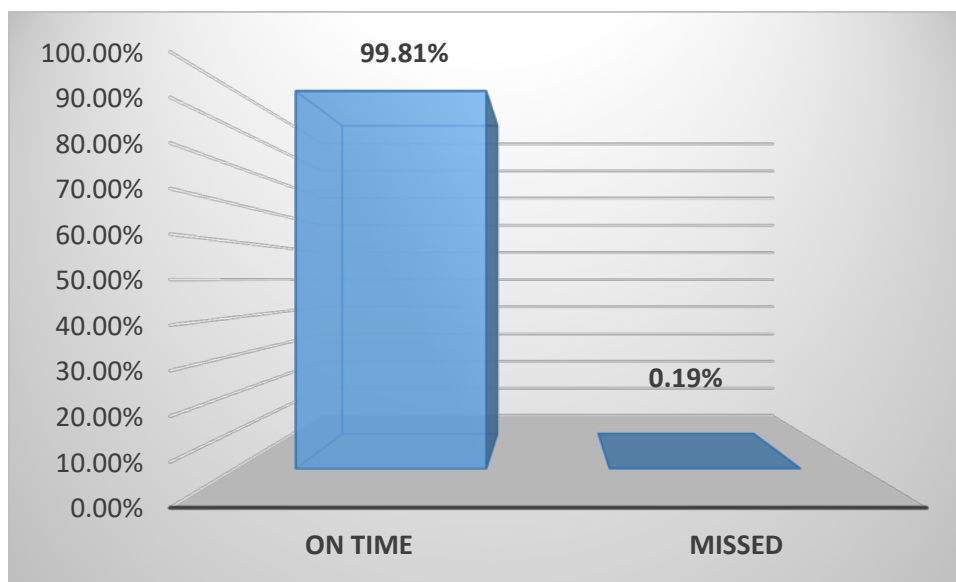
Layon Landfill Groundwater and Site Monitoring – The first semi-annual monitoring event for Operations Year No. 6 (September 2016 to August 2017) was performed in mid-November 2016. The report was submitted on time in the first quarter 2017 to GEPA and US EPA. This is one of the many permit required reporting documents that are reviewed and discussed with the regulatory agencies. Reporting and results continue to be in general compliance with the permit conditions.

Inarajan Wastewater Treatment Plant (WWTP) – During the reporting periods, leachate and marine water sampling continued in accordance with the monitoring work plan under the Layon permit. Leachate characteristics are monitored bi-monthly, and the performance of the Inarajan WWTP is evaluated based on GWA sampling of influent and effluent when available. Marine water monitoring at six sample locations is also being performed on a quarterly basis. GWA has not recently conducted effluent sampling to understand the plant’s recent performance; however, marine water results do not differ significantly from the background locations, and leachate quality appears to be following trends consistent with landfill age and maturation. Sampling for leachate and marine water quality will continue in the future quarters at the current frequency and the Receiver will coordinate with GWA to confirm reported volumes treated by the WWTP. Reports are distributed to GEPA, GWA and USEPA regularly.

3. Operations of the Guam Solid Waste Authority (July 2016 – December 2016)

During the current reporting period, GSWA crews performed 467,408 trash collections, of which 99.81 percent were on-time collections. Figure 4 illustrates the on-time collections during the reporting period.

Figure 4 – GSWA On-Time Trash Collections, July 1, 2016 – December 31, 2016



GSWA residential crews collected 9,623.05 tons of trash from their residential customers over the six-month reporting period. Each GSWA customer-household generated an average of 41 pounds of trash each week (5.88 pounds per day), a decrease from the last reporting period when the average was 46 pounds of trash each week.

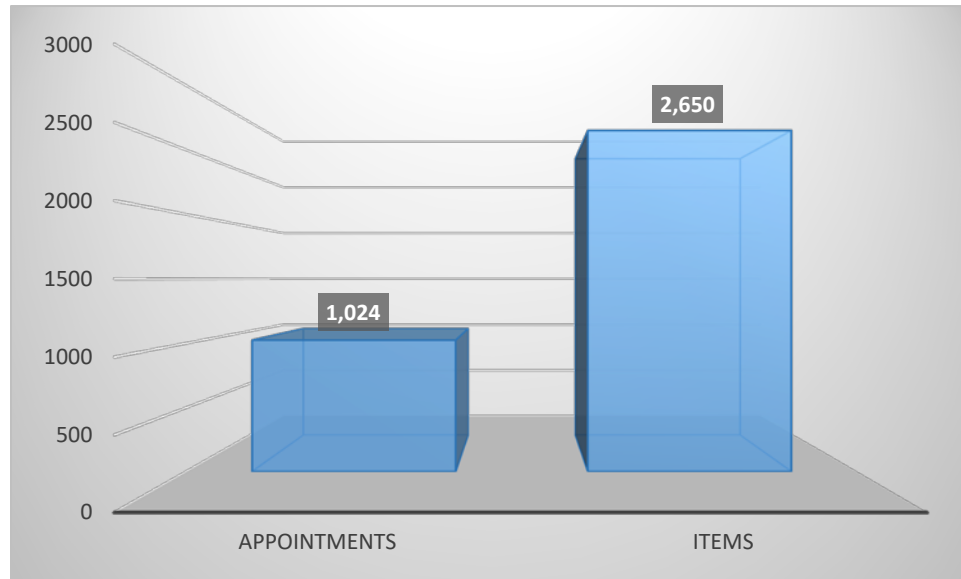
Cart Repairs

During the reporting period, GSWA had 115 damaged or broken carts. This is an average of 19 carts per month that needed to be repaired, which is slightly more than the 13 damaged or broken carts per month as reported in the Receiver’s previous Quarterly Report to the Court. The carts are holding up well to the work demands and Guam weather.

Bulky Item Collections

From the beginning of the bulky items program in October 2011 through December 2016, customers have made 6,917 appointments to collect 18,560 bulky items, or an average of 2.68 items per appointment. For the months of this report, as shown in Figure 5, GSWA fulfilled 1,024 appointments collecting 2,650, or an average of 2.59 items per pickup. The Bulky Waste program collects items such as sofas, mattresses and white goods, which include washing machines and hot water heaters. These are mainly large and bulky items that customers have difficulty transporting to a disposal point. GSWA’s curbside residential customers are allowed up to two free bulky item collections each calendar year. The fee for each subsequent collection during the same year is \$25. Residents who are not curbside residential customers of GSWA and are not a commercial entity may make appointments for bulky item collection for \$25 per collection. Metal objects are taken to a local scrap yard to be recycled and non-metal items, such as mattresses and sofas, are disposed of at the Layon Landfill.

Figure 5 – GSWA Bulky Waste Appointments and Items Collected, July 1, 2016, through December 31, 2016



Residential Transfer Stations

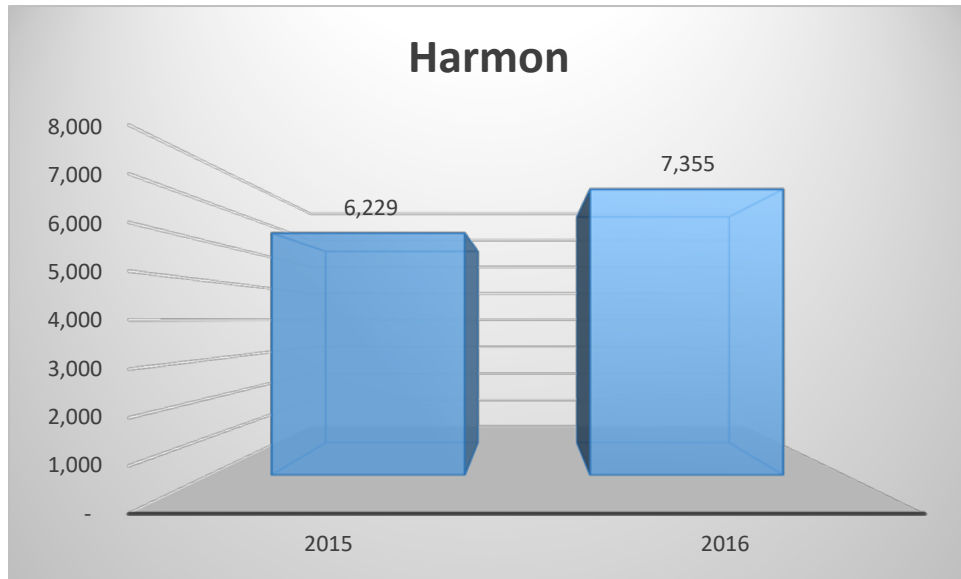
The number of customers using the Residential Transfer Station has increased by slightly over 8 percent during the reporting period when compared to the same months in 2015. Tonnage has increased by essentially the same percentage over that time as shown in Table 1.

Table 1 – Residential Transfer Stations Comparison

	2015	2016	Change	
	July – December 2015	July – December 2016	Numerical Difference	Percentage
Tons	2,318.59	2,504.14	185.55	8.00%
Customers	12,403	13,414	1,011	8.15%

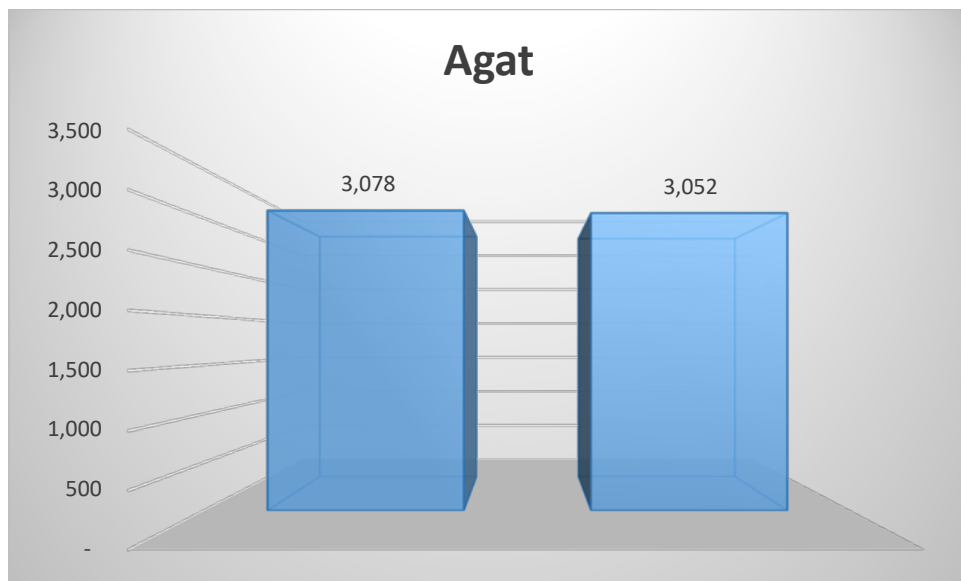
Customers using the Harmon Residential Transfer Station increased in number from 6,229 from July through December 2015 to 7,355 from July through December 2016, as shown in Figure 6.

**Figure 6 –Customers Using the Harmon Residential Transfer Station,
July – December of 2015 and 2016**



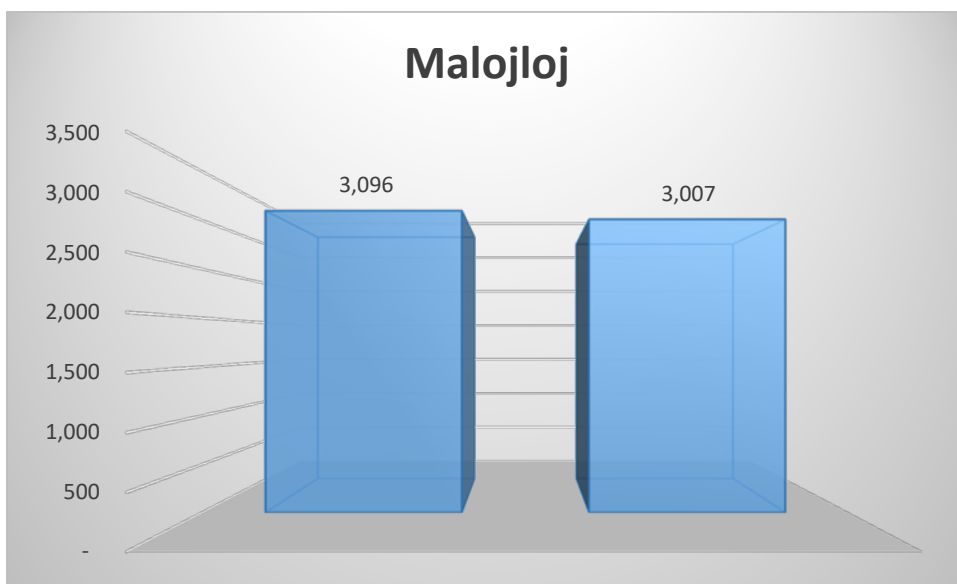
Customers using the Agat Residential Transfer Station decreased in number from 3,078 during July through December 2015, down slightly to 3,052 from July through December 2016, as shown in Figure 7.

Figure 7 – Agat Residential Transfer Station



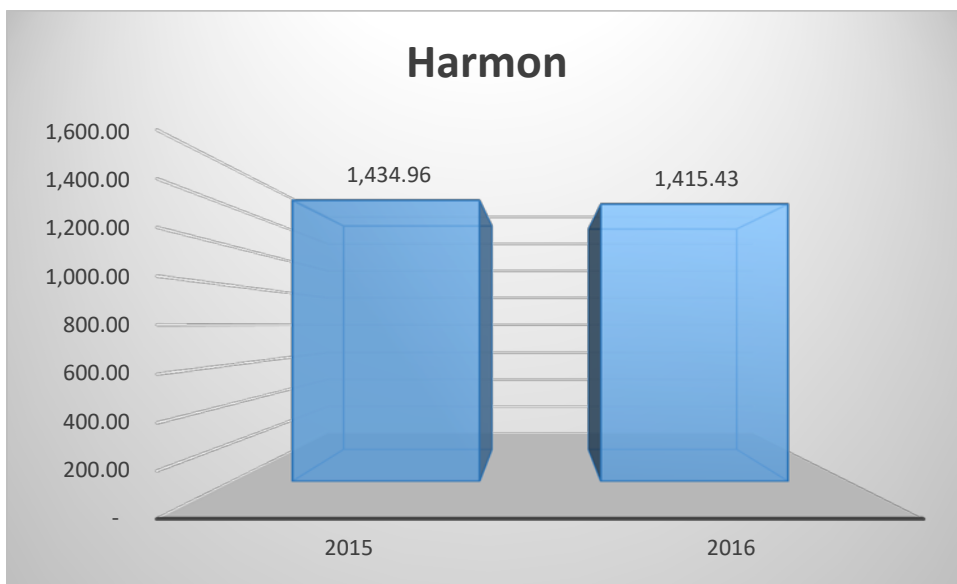
Customers using the Malojloj Residential Transfer Station decreased in number from 3,096 from July through December 2015 to 3,007 from July through December 2016, as shown in Figure 8.

Figure 8 – Malojloj Residential Transfer Station



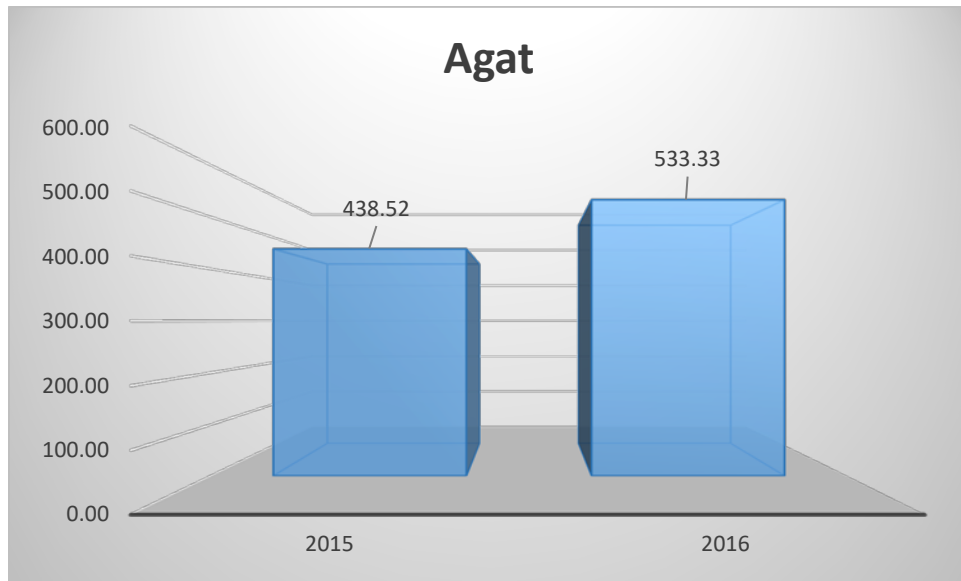
MSW tonnage brought to the Harmon Residential Transfer Station went from 1,434.96 tons in July through December 2015 to 1,415.43 tons in July through December 2016, as shown in Figure 9.

Figure 9 – MSW Tonnage to Harmon Residential Transfer Station



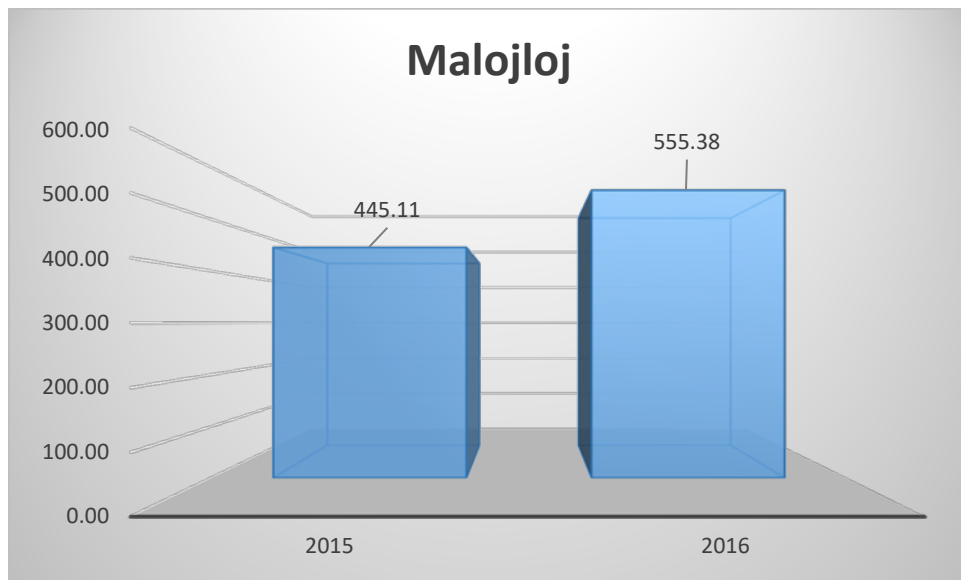
MSW tonnage brought to the Agat Residential Transfer Station went from 438.52 tons in July through December 2015 to 533.33 tons in July through December 2016, as shown in Figure 10.

Figure 10 – MSW Tonnage to Agat Residential Transfer Station



MSW tonnage brought to the Malojloj Residential Transfer Station went from 445.11 tons in July through December 2015 to 555.38 tons in July through December 2016, as shown in Figure 11.

Figure 11 – MSW Tonnage to Malojloj Residential Transfer Station



Hauler-only Transfer Station

The Hauler-only Transfer Station is for commercial haulers and other large generators of trash. Most of the residential trash collected by GSWA crews is also taken to this facility. GSWA personnel staff the scale house and handle the accounts while a private contractor, Guahan Waste Control, operates the tip floor (where the trash is dumped) and the transfer trailers that transport the trash to the Layon Landfill. Once

the material is dumped onto a tip floor, the operator of the facility screens it for excluded waste before loading it into a large transfer trailer for transport to the Layon Landfill. Consolidating the waste into large transfer trailers significantly reduces the amount of truck traffic to the Layon Landfill.

For the reporting months from July through December 2016, there were 10,126 scale crossings bringing in 45,589.29 tons of municipal solid waste to the Hauler-Only Transfer Station. These numbers are a 2.12 percent and 2.32 percent increase respectively above the same months in 2015, when scale crossings were 9,916 and tons were 44,553.76.

Layon Landfill

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

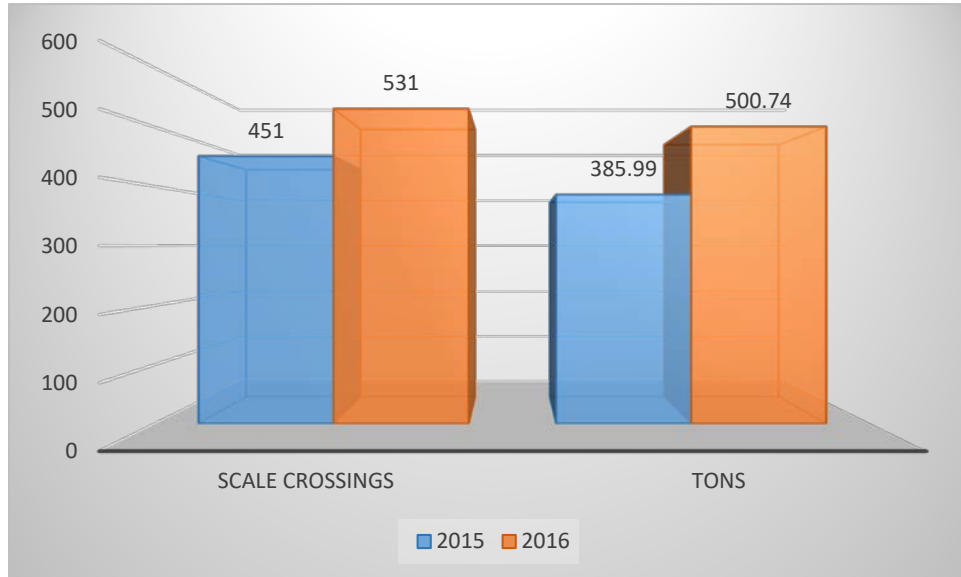
During these reporting months, the Layon Landfill had 3,681 scale crossings bringing in 51,313.23 tons (a monthly average of 8,552.21 tons) showing a 9.78 percent increase in scale crossings from the same months in 2015 (when there were 3,353 crossings) and a 4.07 percent increase in tonnage for the same period of time (when there were 49,308.57 tons).

The trash that is delivered to the Hauler-only Transfer Station, after removal of excluded waste, is loaded into tractor trailers and transported to the Layon Landfill. The Layon Landfill also accepts direct deliveries from nearby mayors. Materials not appropriate for the Hauler-only Transfer Station (e.g., biosolids,) are also delivered directly to the Layon Landfill by the GWA. During this reporting period, GWA brought 4,941.76 tons of biosolids (an average of 824 tons per month), which is 11.06 percent more than the 4,449.50 tons of biosolids GWA brought to the landfill in the same months of 2015.

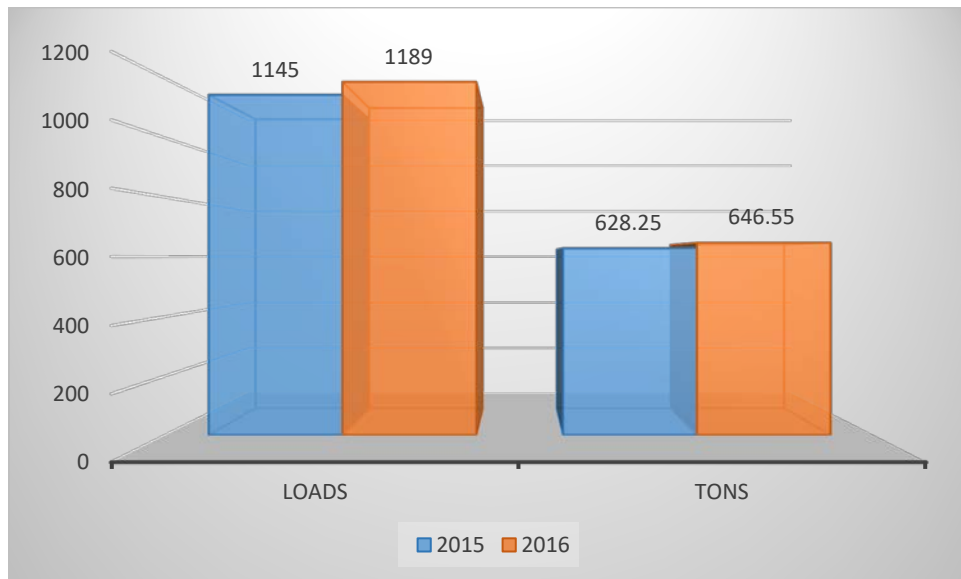
Mayors' offices are regular customers to both the Layon Landfill and the Hauler-only Transfer Station. Figures 12 and 13 (next page) show the number of scale crossings and tons delivered by the Mayors' offices to both facilities. Scale crossings at the Layon Landfill increased by 17.74 percent in July through December 2016 over the same months in 2015, while they increased 3.84 percent during the same time at the Hauler-only Transfer Station. With respect to tonnage of trash, the southern Mayors again brought in 29.73 percent more trash to the landfill during these reporting months than they did the same months in 2015. The Haulers' only Transfer Station saw a 2.91 percent increase in MSW tonnage over the same months the year before.⁵

⁵ The Mayors Offices which regularly used the Layon Landfill during this reporting period were from the villages of Yona, Talofoto, Merizo, Agat, Santa Rita, Umatac, and Inarajan. The Talofoto Mayor's Office brought in the most tons (205.49 tons) of trash during the reporting period with Yona (153.78 tons) and Umatac (43.35 tons). The Mayors Offices which regularly used the Hauler-only Transfer Station during this same period were Sinajana, Agana Heights, Ordot Chalan Pago, Hagatna, Mangilao, Tamuning, Mongmong-Toto-Maite, Barrigada, Dededo, Piti, Asan, and Yigo. The Mangilao Mayor's Office brought in the most trash (101.82 tons) in during this reporting period with Hagatna

**Figure 12 – Mayors’ Scale Crossings & MSW Tons at Layon Landfill,
July – December 2015 and 2016**



**Figure 13 – Mayors’ Scale Crossings and MSW Tons at Haulers’ Only Transfer Station,
July –December 2015 and 2016**



(101.82 tons) and Dededo (85.38 tons) bringing in the second and third most tons of trash among the Mayors Offices using this facility.

Household Hazardous Waste

The Household Hazardous Waste Facility (HHWF) is located at the Harmon Street Residential Transfer Station and is open five days a week (Thursday through Monday) from 9:00 a.m. to 5:00 p.m. It is free to residents of Guam. Businesses and institutions cannot use the HHWF because it is designed and permitted for household hazardous waste only and providing such a “free” service to businesses and other large organizations would be cost-prohibitive. The HHWF is operated by Unlimited Services Group whose representatives greet the customers, remove the acceptable material from the vehicle, separate the materials into the proper category, and store the material for disposal, reuse, or recycling.

From the HHWF’s opening day on January 23, 2015 through the end of December 2016, 4,834 customers used the facility bringing 389,010 pounds of HHW. Of the total material brought to the facility, 53 percent (207,944 pounds) fell into categories such as paint, household cleaners, motor oil, aerosols, poison, and more. The remaining 47 percent (181,067 pounds) were electronic items recycled through Pyramid Recycling.

The number of customers who used the HHW facility during the current reporting period numbered 1,387. These customers brought in 76,824 pounds of electronics and 33,107 pounds of other HHW products such as poison, paint, motor oil, cleaners, aerosols, batteries, and other assorted HHW items. Figures 14 and 15 show the number of customers and the quantities of HHW brought to the facility since the inception of the program in January 2015 through this reporting period.

Figure 14 – Number of HHW Pounds per July – December 2015 and 2016

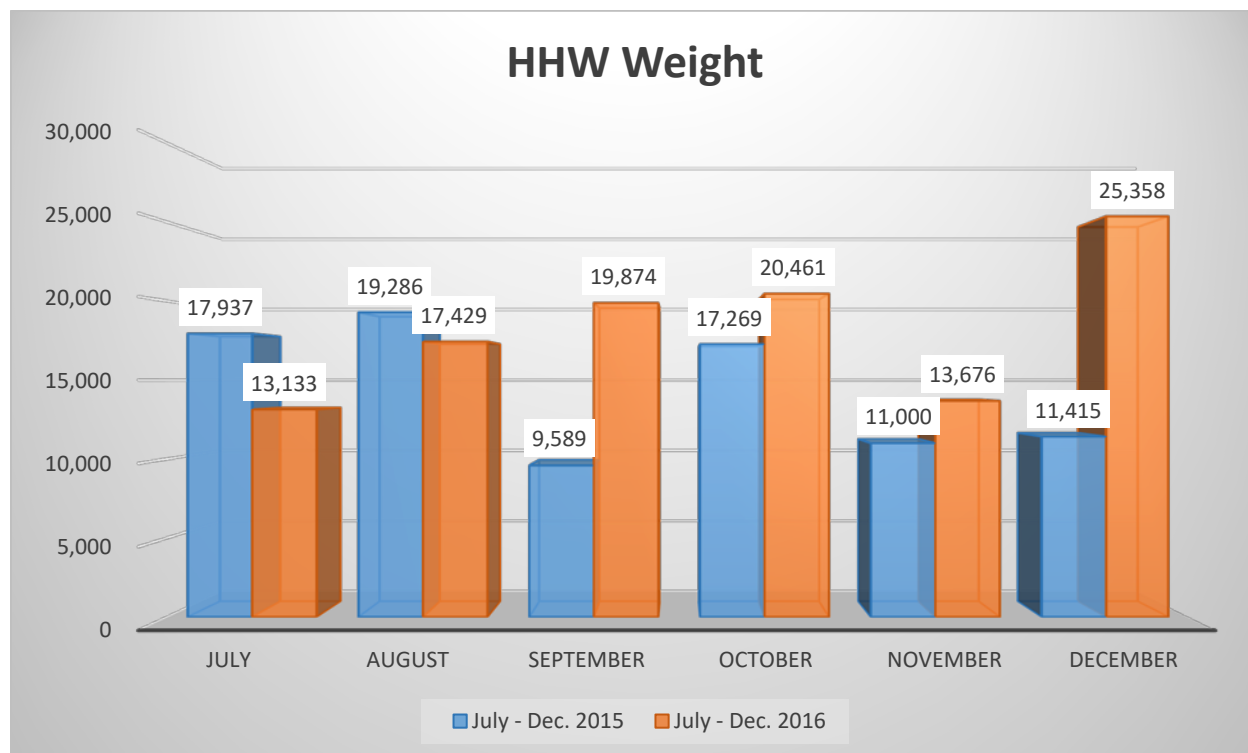
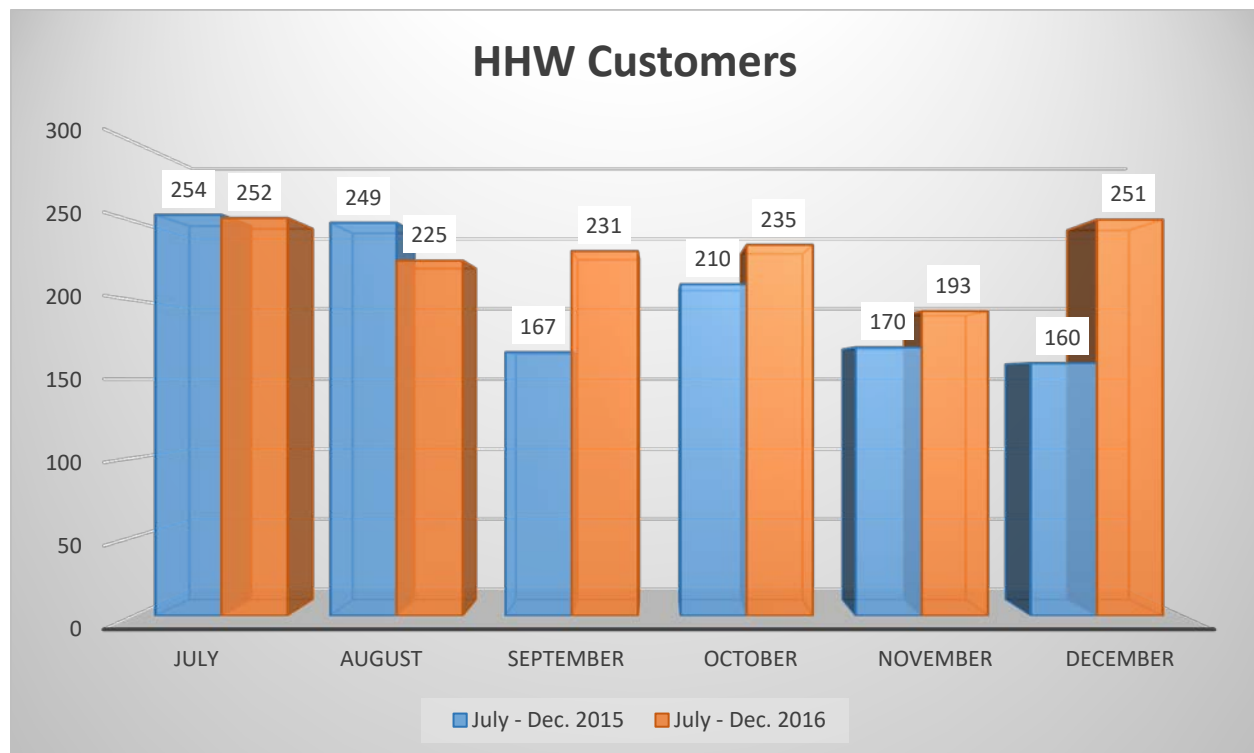


Figure 15 – Number of Monthly Customers at HHWF from July through December 2015 and 2016



Administration

GSWA Customer Service creates and maintains the customer accounts, provides work orders to operations, and invoices customers. Customer Service works with both GSWA customers and GSWA operations to make sure that both have the proper information to assure that there are minimal service interruptions to the customer. The Receiver has implemented work order and billing software and consolidated the GWSA's many phone numbers into one multi-line number used by GSWA's customer service representatives (CSRs). There is a CSR who begins work at 3:30 a.m. to assist with operations. It is that person's responsibility to note in the customers' files such items as blocked roads that prohibited GSWA collection trucks from collecting customers' trash and or recycling. The CSR also handles notice of violations such as when contamination is found in customers' carts. Drivers will notify the CSR, who will immediately place the information into the customer's account and notifies the other CSRs, who arrive at work at 8:00 a.m., of these types of situations. After 8:00 a.m., CSRs will attempt to call the customers that morning to let them know of these situations. CSRs also notify agencies, such as Guam Power Authority or any one of the telephone companies, if drivers report downed electrical/telephone wires or the appropriate Mayor's Office if, for instance, there is a tree limb blocking a secondary road.

GSWA's CSRs assisted 4,074 walk-in customers from July through December 2016. The CSRs meet with walk-in customers to discuss their account histories, sign them up for collection service, map their service locations, and discuss which items can be recycled with GSWA. CSRs also provide information about where other items, such as electronics and scrap metal, can be recycled, and where additional material, such as green waste and construction and demolition debris, can be disposed.

During the reporting period, the CSRs sent 8,491 letters and made 5,674 courtesy calls to customers who were late paying their bills and in jeopardy of having their carts repossessed for lack of payment.⁶ When a customer becomes 60 days behind in payment, GSWA Customer Service staff contact the customer by mail and telephone to provide a reminder to the customer, encouraging them to make payment to ensure that their account is restored to good standing. If the customer fails to pay and becomes 90 days or more behind in payment, a work order is placed to repossess the cart and terminate service. GSWA operations staff repossessed 1,590 carts during this reporting period and 1,001, or 63 percent, of those customers paid their balance due plus a \$50 reinstatement fee to have GSWA's service restored.

In GSWA's continued effort to cross train employees, CSR's and Scale House Operators are cross trained and rotate to different posts. This allows for greater utilization of personnel and for the personnel to have a better understanding of how GSWA operates. Scale House Operators are now assigned work that normally was only performed in the GSWA main offices as they carry out their Scale House duties.

Personnel

On December 31, 2016, GSWA had the equivalent of 55 full time equivalent (FTE) positions. There were 28 FTE Government of Guam employees and 27 FTE workers employed by the Receiver through a contract with Pacific Human Resources, Inc. (PHRS). Additionally, there was one employee under direct contract with the Receiver. When the Receiver was appointed by the Court in March 2008, the Division of Solid Waste had 99 employees. The number of employees has been reduced by 44 percent.

GSWA Board of Directors

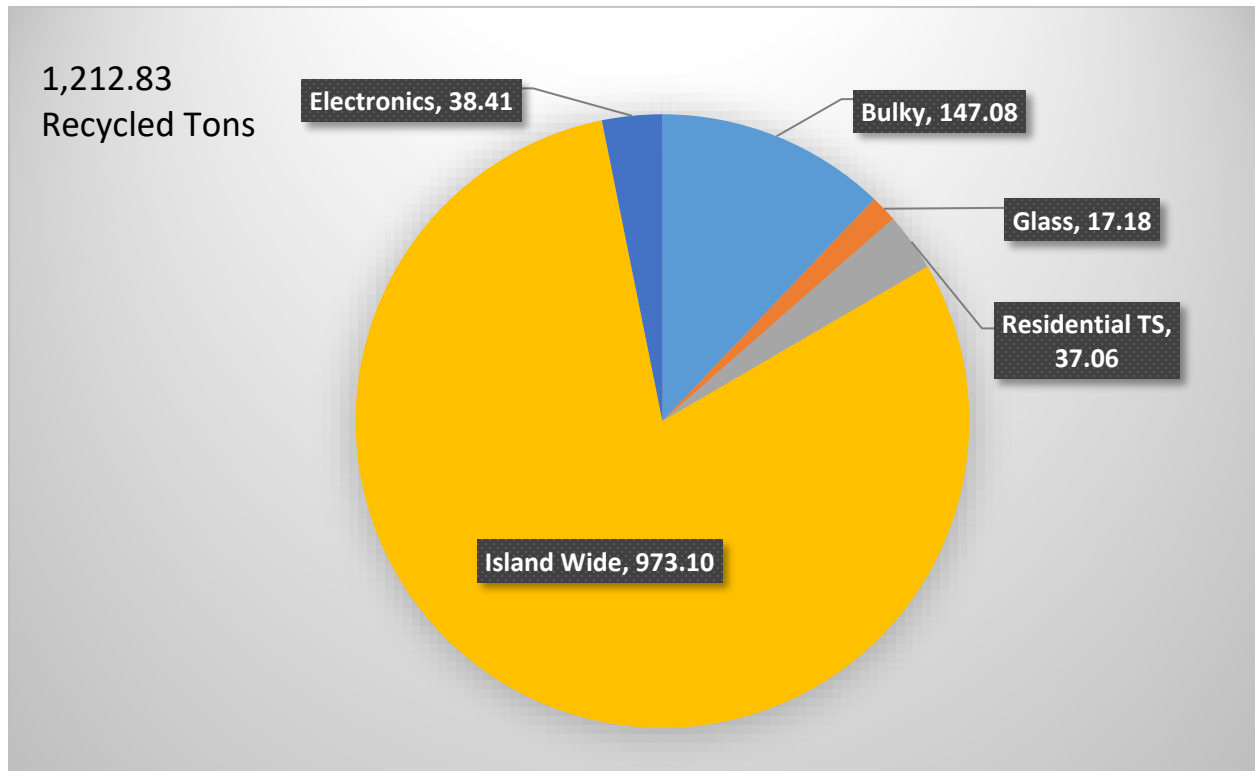
During the reporting period, the GSWA Board of Directors scheduled six Board meetings: one of these was cancelled, and all others were attended by a quorum or more of the Board of Directors. The minutes and agenda for each meeting are posted on the GSWA website (which can be found at <http://www.guamsolidwasteauthority.com/bod.html>), and the audio of each meeting is also available online through the website of the Office of the Public Auditor. The Receiver provided staffing support for the four board meetings held during this reporting period and briefed the Board on GSWA activities at each meeting.

Recycling Programs

Over this reporting period, GSWA collected for the purposes of recycling or reusing 1,212.83 tons of materials as Figure 16 illustrates.

⁶ In the Receivers' Quarterly Reports we normally provide a record of number of calls received and made by the Customer Service Staff. In this and the previous Quarterly Reports we have been unable to provide these numbers because our phone provider, GTA, had difficulty generating the reports for this reporting period. It is expected to have this corrected for 2017 reporting purposes.

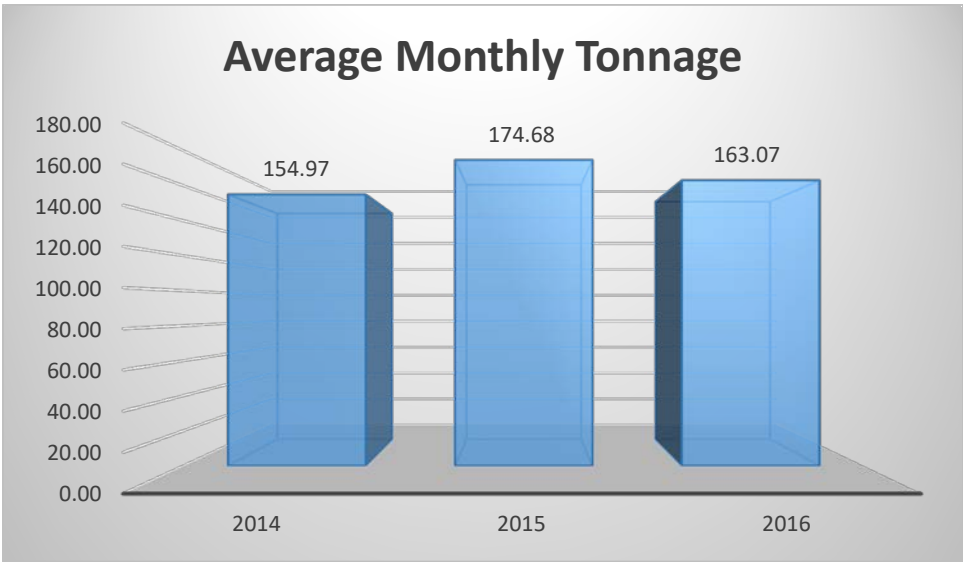
Figure 16 – GSWA Recycling and Reuse Tonnage July - December 2016



GSWA's Island-wide Curbside Recycling program accounts for 973.10 tons, or 80 percent, of the total recycled and reused by GSWA. GSWA received \$4,742.13 in revenue for the recyclable material collected at the curb for this reporting period. Approximately ninety percent of GSWA's residential trash customers have recycling carts. Residential customers who live on roads where the large garbage trucks cannot travel because of road conditions, low hanging wires and branches or other reasons resulting in an inability to turn the vehicle around, receive trash collection with what GSWA refers to as Baby Packer trucks, which are pickups with small containers on their beds. The customers on the Baby Packer trash routes were not provided recycling carts because the Baby Packer trucks cannot efficiently serve these customers for recycling. The Authority has recently ordered collection vehicles that will allow the customers on Baby Packer routes to finally have recycling service.

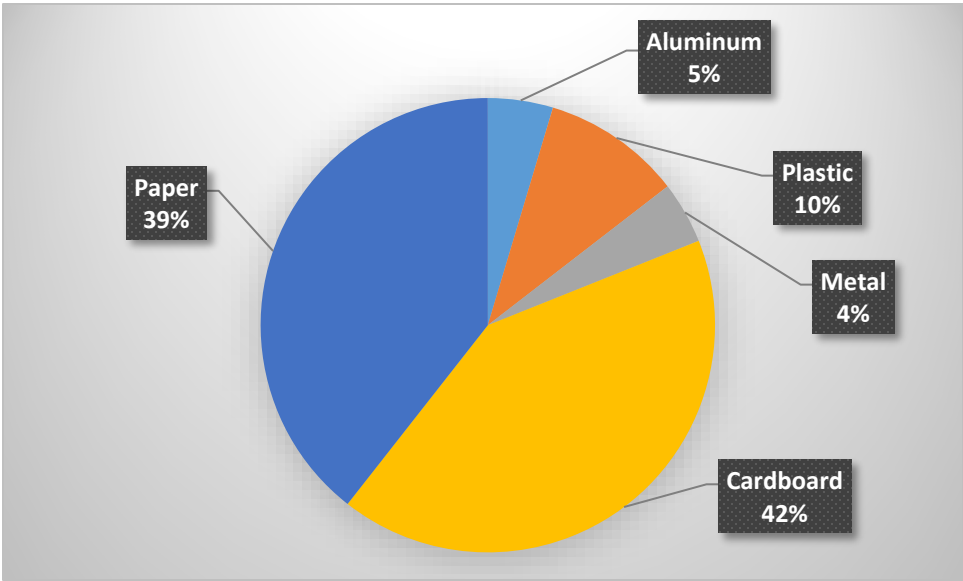
Since it began, the Island Wide Recycling program has collected 5,912.58 tons of material for recycling at the curb averaging 164 tons a month. Figure 17, Island-wide curbside Recycling, Average Monthly Tons by Calendar Year shows the average monthly tonnage collected for each calendar year.

Figure 17 – Island-wide Curbside Recycling, Average Monthly Tons by Calendar Year



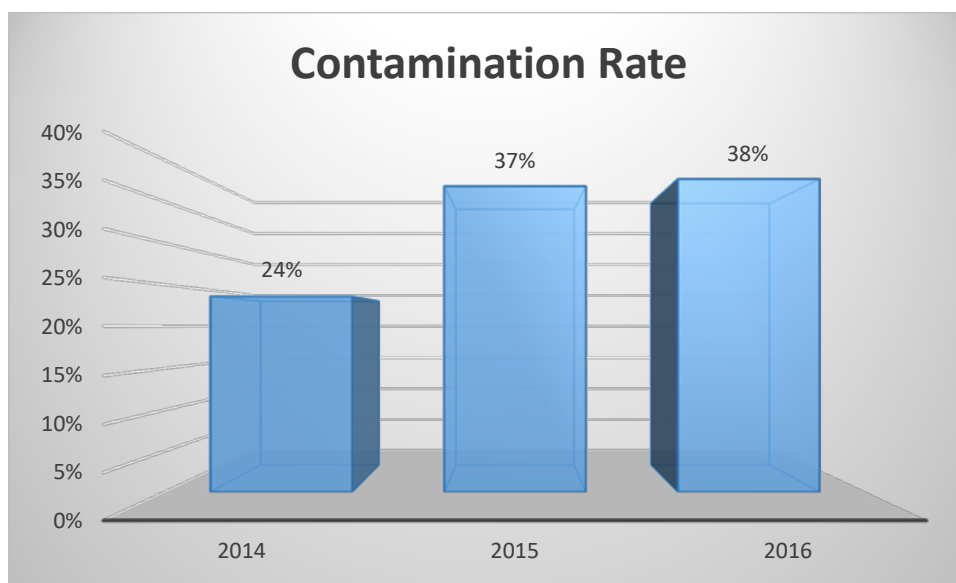
The average tonnage for calendar year 2016 is slightly under the average tonnage for 2015. This is primarily due to significant changes in the post-consumer grade plastics market. With the significant drop in price for crude oil, the demand for recycled plastics is low. Before this change occurred, GSWA was able to accept a much wider variety of plastics. With the change in the market, we are now only able to accept drinking bottles made of numbers 1 and 2 plastics. The normal amount of plastics sent to the market from the monthly GSWA Island-wide recycling was approximately 22 to 26 tons a month. Starting in August 2016, the plastic tonnage dropped to 14.72, in September 1.77, October 5.85, November 4.28 and in December 2.70 tons. Figure 18 shows the percentages of all of the recycled material collected during this reporting period.

Figure 18 – Percentage Breakdown of Curbside Recyclables Collected July through December 2016



Since GSWA began the roll out of the Island-wide Curbside Recycling program, it has tracked the contamination found in the recycling carts as shown in Figure 19. Over the life of the program, the average contamination is at 32 percent. Figure 19 shows the average contamination rate for each calendar year the program has been in operation. During this past reporting period, the contamination rate for the month of October was only 9 percent.

Figure 19 –Curbside Recycling Program Contamination Rate



During the reporting period, residential trash customers who have both trash and recycling services disposed of 9,129.05 tons of trash and 973.10 tons of recycling collected, resulting in 9.63 percent of residential trash diverted to recycling.

The recycling participation rate is defined as the proportion of households that set out a recycling cart for collection on their collection day. Some customers may set their recycling cart on each collection day but many will set them out when it is full. Depending on their individual recycling habits they may set them out once a month or once every two months. In the previous reporting period, the average set out was 47 percent. During this reporting period the average set out rate was again 47 percent. The set-out rate remains a respectable number. Figure 20 shows the Average Set-Out Rates by Month and Figure 21 shows the Average Set-Out Rates by Day.

Figure 20 – Curbside Recycling Monthly Set-Out Rates July – December 2016

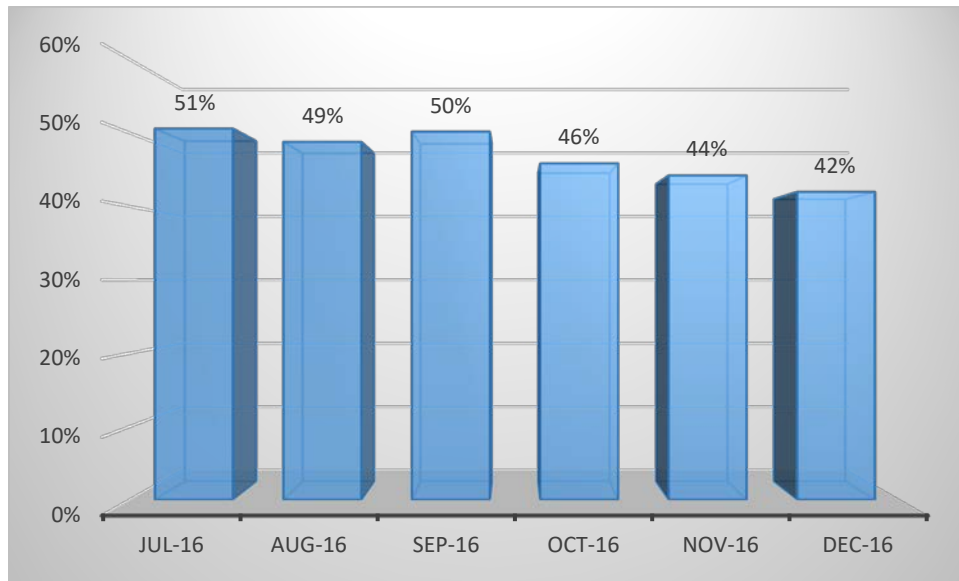
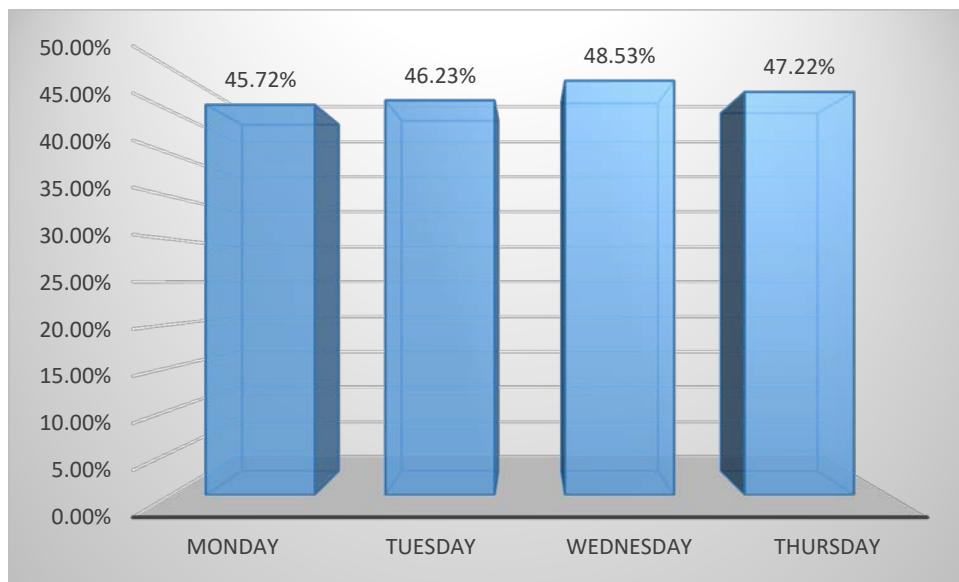


Figure 21 – Curbside Recycling Average Set-Out Rates by Day, July – December 2016



In the Special Report of the Receiver, “Island-wide Curbside Recycling,” dated August 13, 2013, we recommended, and the Court subsequently approved, implementation of a curbside recycling program. The assumptions and calculations upon which the program is based are fully described in the above referenced Special Report. In the Special Report, the Receiver recommended using the current rate charged per ton (\$171.60) for waste disposal at the Layon Landfill as the benchmark cost against which the new program should be compared. During the reporting period the recycling cost per ton was \$125.44, as shown in Figure 22.

Figure 22 – Cost per Ton of Landfilling vs. Curbside Recycling

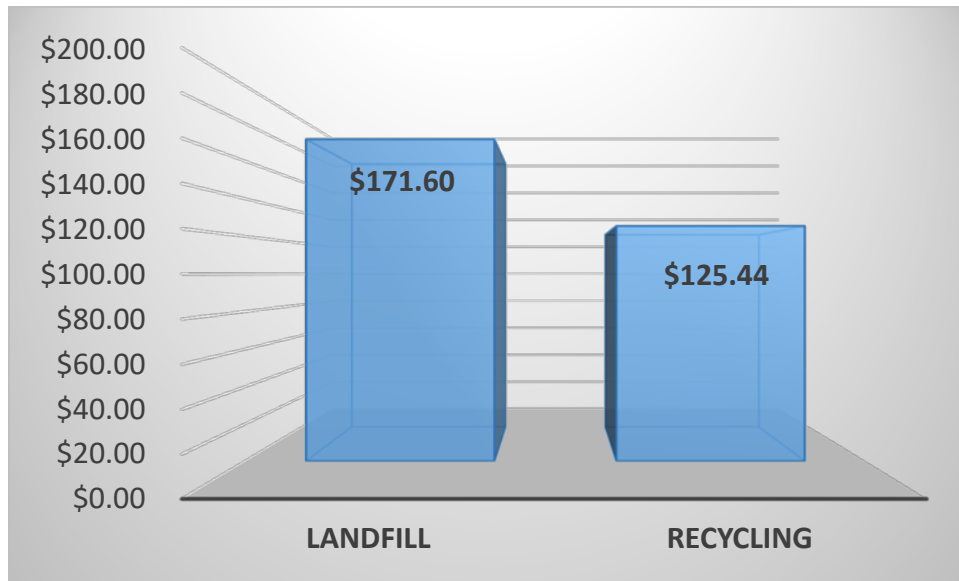


Table 2 summarizes the cost of recycling over the six months that this report covers:

Table 2 – July through December 2016 Curbside Recycling Costs

Cost Factors	July – December 2016
Cost of Carts	\$37,740.84
Overtime for Personnel	\$8,952.87
Fuel	\$16,366.79
Maintenance/Tires	\$57,426.02
Education	\$589.62
Recycling Processing	\$93,946.64
5% Contingency	\$0
Less Transfer Station Fees	\$(29,251.39)
Less Landfill Fees	\$(19,967.04)
Less Pilot Recycling Cost	\$(39,000.00)
Expense	\$126,804.35
Revenue	(\$4,742.13)
Net Expense	\$122,062.22
Cost Per Ton	\$125.44

4. Contract Management and Procurement (July 2016 – December 2016)

Procurement activities during the reporting period continued to be primarily related to protests from Morrico Equipment Company. These protests have stymied the urgent need to update the GSWA fleet. The fleet upgrade is vital to the operation of GSWA and completion of all the requirements of the Consent Decree. Fortunately, thanks to the support of this Court, this problem has now been resolved and the

new trucks have been ordered. After reviewing the issues at our request, this Court found that we acted properly in exercising the authority granted to the Receiver in the Appointment Order when we departed from the Government of Guam's procedures in this matter. Morrico Equipment Company appealed this Court's decision and on April 25, 2017, the United States Court of Appeals for the Ninth Circuit denied Morrico's request for a stay that would have barred the Receiver from purchasing the trucks pending resolution of the appeal. Morrico has subsequently acted to withdraw its appeal and its continued pursuit of an appeal through the Office of the Public Auditor.

While GSWA will continue to struggle with the consequences of the delay resulting in escalating maintenance and repair cost and the daily challenge of keeping a sufficient number of trucks on the road while we await delivery of the new vehicles, a resolution is on the horizon.

We have also continued to pursue the liquidated damages assessed against Maeda Pacific Corporation (MPC) during the reporting period. This matter is currently scheduled to be heard by the Superior Court of Guam on March 12, 2018.

We also continued to prepare for the procurement of an operator for the Ordot Dump during the post-closure period. This is a complex procurement and we hope to issue the procurement by early summer to be followed by a procurement of the trustee services required by the financing plan adopted by the District Court. To ensure that the Ordot Dump is properly managed pending completion of the necessary procurement, we are working with our construction manager, GHD, Inc., to provide the needed post-closure services.

During the reporting periods covered by this Report, we were able to complete the contracts and begin the work to both upgrade the Agat and Malojloj Residential Transfer Stations and environmentally close the Dededo Residential Transfer Station.

The status of the Receiver's primary contracts, including the amounts spent as of September 30, 2016, and December 31, 2016, are summarized in Tabs 4 and 5. Individual payments occurring during the reporting periods for these contracts are included in Tabs 6 and 7. Information on direct employee contracts and payments, contracts in connection with ongoing litigation, payments to the Government of Guam, and one-time expenditures are not included in these tables; however, all payments occurring during the reporting periods for these items are included elsewhere in this Report.

Tabs 8 and 9 provides the Court with a list of approved change orders, as of September 30, 2016 and December 31, 2016, for the open Consent Decree construction contracts referenced above (neither Black Construction nor Hawaiian Rock Products had any new change orders during the reporting period).

5. Financial Issues and Capital Funding (July 2016 – December 2016)

Overview

In this section we will provide an analysis of the operating finances of GSWA during the reporting periods included in this report. We will also provide updates on the status of capital funding for Consent Decree-related capital projects, and the reserves of GSWA, as well as other related issues.

Specifically, in this section, we provide the Court with updates on the following:

- GSWA operating results for the fiscal year ended September 30, 2016 and the period ending December 31, 2016;
- Cash position of GSWA;
- Status of residential customers;
- Status of large commercial accounts;
- Status of GWA and Government accounts;
- Status of the Construction Subaccount;
- Host Community Premium Surcharge Fees;
- Capital funding;
- Compensation to Former Landowners of Ordot Dump Property;
- Compensation to Former Landowners of Layon Landfill Property;
- Reserves of GSWA; and
- Waste disposed at the Layon Landfill.

GSWA Operating Results for FY 2016 from July 1, 2016, to September 30, 2016

Table 3 provides the Court with a summary of expenditures and revenue for the reporting period, compared with the approved budget for FY 2016⁷. A more detailed report of expenditures and revenue compared with the approved FY 2016 budget is provided in Tab 10 of this Report.

⁷The approved budget includes certain expenditures that are classified as operating expenditures by GovGuam while the Receiver classifies them as capital expenditures and does not include them in the operating budget. To facilitate a clear comparison to the audited numbers for FY 2016, we have adjusted the approved budget and included them in the budget. GovGuam also includes Host Community Premium Benefits as an item in the GSWA operating budget while the Receiver considers it to be a pass-thru item and does not include it in the operating budget. Again, to facilitate comparison to the audit, we have adjusted the approved budget to include Host Community Premium Benefits.

Table 3 – GSWA Summary of Operating Budget for the Period Ending September 30, 2016

Guam Solid Waste Authority				
Summary of Operating Budget				
FY 2016				
As of September 30, 2016				
Item	Total Annual Budget	Budget to Date	Actual Spending / Revenue to Date	% over (under) Budget
Personnel Expenses	\$3,000,000	\$3,000,000	\$2,757,281	-8.1%
Other Expenses / Reserves	\$17,209,597	\$17,209,597	\$18,392,430	6.9%
Total Expenses / Reserves	\$20,209,597	\$20,209,597	\$21,149,711	4.7%
Total Revenue (All Sources)	\$17,845,681	\$17,845,681	\$19,363,204	8.5%
Budgeted From Fund Balance	\$2,363,916	\$2,363,916	\$1,786,507	-24.4%
Total Funding Available	\$20,209,597	\$20,209,597	\$21,149,711	N/A

Personnel expenses during the period were below budget but non-personnel expenses were above budget, primarily from maintenance expense directly attributable to the lengthy delay in replacing GSWA's trash collection trucks. Revenue exceeded the approved budget estimate for the budget to date by more than 8 percent.

Cash collections of the amounts billed by GSWA for the fiscal year through September 30, 2016, are shown in Table 4.

Table 4 – GSWA Revenue Billed/Collected October 1, 2015, through September 30, 2016

GSWA Revenue Billed / Collected			
October 1, 2015 through September 30, 2016			
Customer Class	Billed	Collected	%
Commercial	\$ 10,492,762	\$ 10,671,402	101.7%
Residential	\$ 6,666,092	\$ 6,936,484	104.1%
Government	\$ 1,640,484	\$ 1,870,392	114.0%
Total	\$ 18,799,339	\$ 19,478,278	103.6%
Note: Amount collected is on a cash basis. Transfer Stations are included in the residential category. Interest income excluded.			

Cash collections from all accounts for this quarter exceeded billing for these accounts by 3.6 percent. When non-billed revenue (i.e. recycling, residential transfer stations, trash tags, and restoration and

reactivation fees) is excluded, cash collections from all accounts YTD exceeded billing for these accounts by 1.9 percent.

Cash collections from Government of Guam agencies were strong due to payments from GWA. However, when GWA is excluded cash collections from other GovGuam agencies continued to be weak. When GWA is excluded, only 25 percent of the amounts billed GovGuam agencies was paid and the cumulative unpaid balance continued to grow. We have described in past reports how this matter is addressed by the Receiver and we will elaborate further on the growing unpaid balance for GovGuam later in this Report. Tab 11 provides a listing of GovGuam agencies with their outstanding balances at the end of September 2016.

Fund balance analysis for the year ending September 30, 2016, shows an increase for FY 2016 in fund balance of \$3.6 million. Table 5 outlines the elements of the estimate.

Table 5 – GSWA Fund Balance as of September 30, 2016⁸

Guam Solid Waste Authority Fund Balance 30-Sep-16	
Elements of Fund Balance	Amount
Actual Fund Balance @ 9/30/15	\$ 19,811,362
Revenue FY 2016	\$ 19,363,204
Expenses FY 2016	\$ 15,771,969
Excess (Deficit) FY 2016	\$ 3,591,235
Actual Fund Balance @ 9/30/16	\$ 23,402,597
Note: Revenue is on accrual basis.	

GSWA Operating Results for FY 2017 from October 1, 2016 to December 31, 2016

Table 6 provides the Court with a summary of expenditures and revenue for the reporting period, compared with the approved budget for FY 2017⁹. A more detailed report of expenditures and revenue compared with the approved FY 2017 budget is provided in Tab 12 of this Report.

⁸ See footnote 3 of the Receiver's Quarterly Report dated August 4, 2016.

⁹ See footnote 1 in this report.

Table 6 – GSWA Summary of Operating Budget for the Period Ending December 31, 2016

Guam Solid Waste Authority Summary of Operating Budget FY 2017 As of December 31, 2016 (Unaudited)				
Item	Total Annual Budget	Budget to Date	Actual Spending / Revenue to Date	% over (under) Budget
Personnel Expenses	\$3,000,000	\$750,000	\$629,210	-16.1%
Other Expenses / Reserves	\$17,209,597	\$4,302,399	\$3,809,625	-11.5%
Total Expenses / Reserves	\$20,209,597	\$5,052,399	\$4,438,835	-12.1%
Total Revenue (All Sources)	\$17,845,681	\$4,461,420	\$5,219,052	17.0%
Budgeted From Fund Balance	\$2,363,916	\$590,979	-\$780,217	-232.0%
Total Funding Available	\$20,209,597	\$5,052,399	\$4,438,835	N/A

All expenses during the period were below budget but non-personnel expense was above budget, primarily from maintenance expense directly attributable to the lengthy delay in replacing GSWA's trash collection trucks. Revenue exceeded the approved budget estimate for the budget to date by more than 5 percent.

Cash collections of the amounts billed by GSWA for FY 2017 through December 31, 2016 are shown in Table 7.

Table 7 – GSWA Revenue Billed/Collected October 1 – December 31, 2016

GSWA Revenue Billed / Collected					
October 1, 2016 through December 31, 2016					
Customer Class	Billed		Collected		%
Commercial	\$	2,735,202	\$	2,972,973	108.7%
Residential	\$	1,708,477	\$	1,727,339	101.1%
Government	\$	475,707	\$	422,546	88.8%
Total	\$	4,919,387	\$	5,122,858	104.1%
Note: Amount collected is on a cash basis. Transfer Stations are included in the residential category. Interest income excluded.					

Cash collections from all accounts for this quarter exceeded billing for these accounts by 4.1 percent. When non-billed revenue (i.e. recycling, residential transfer stations, trash tags, and restoration and

reactivation fees) is excluded, cash collections from all accounts YTD exceeded billing for these accounts by 2.3 percent.

Cash collections from Government of Guam agencies were primarily attributable to payments from GWA. However, when GWA is excluded cash collections from other GovGuam agencies continued to be weak. When GWA is excluded, only 2.7 percent of the amounts billed GovGuam agencies was paid and the cumulative unpaid balance continued to grow. We have described in past reports how this matter is addressed by the Receiver and we will elaborate further on the growing unpaid balance for GovGuam later in this Report. Tab 13 provides a listing of GovGuam agencies with their outstanding balances at the end of December 2016.

Our fund balance analysis for the period ended December 31, 2016, indicates an estimated year-to-date increase in fund balance for FY 2017 of almost \$500,000. Table 8 outlines the elements of the estimate.

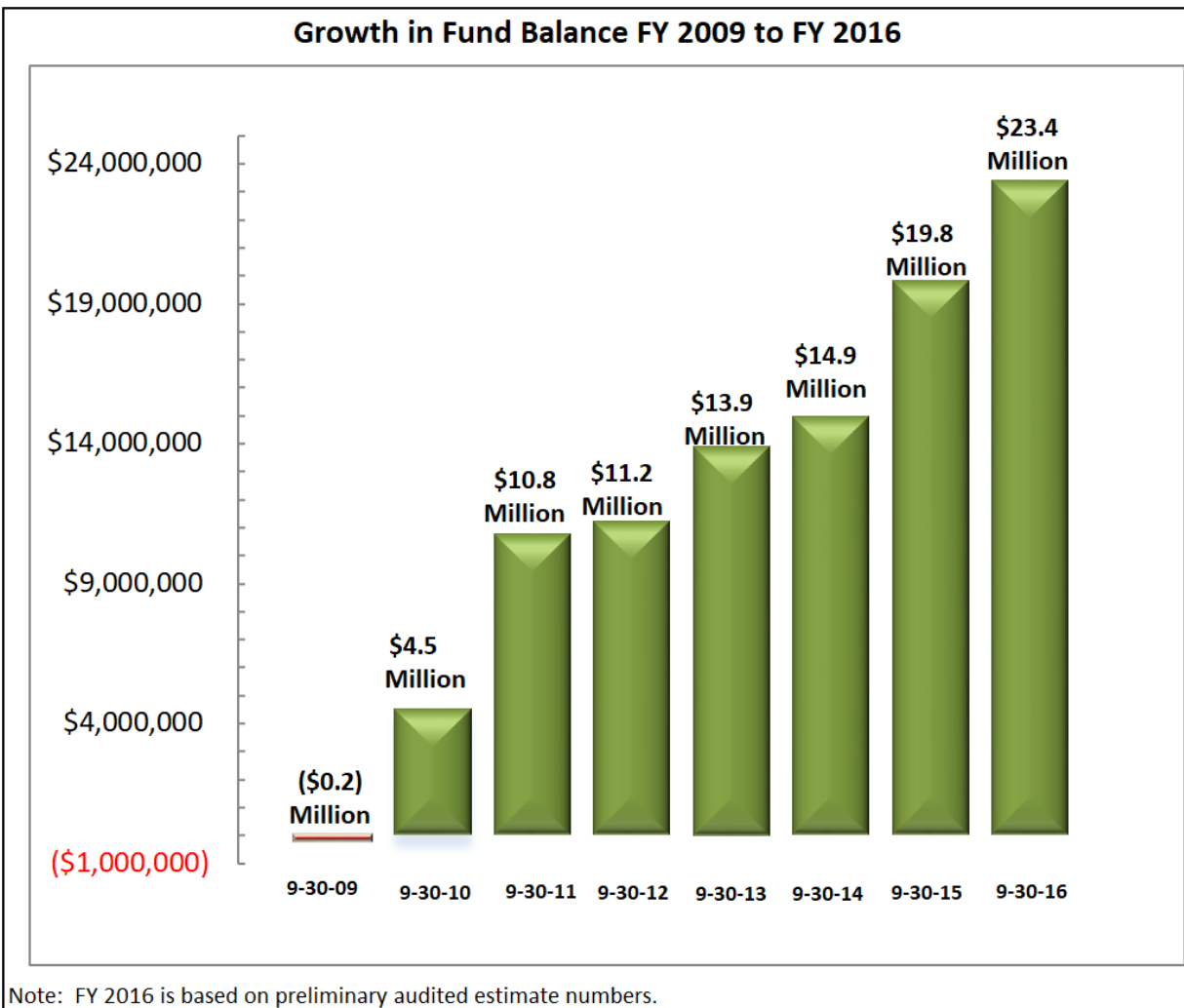
Table 8 – GSWA Fund Balance as of December 31 2016¹⁰

Guam Solid Waste Authority Fund Balance 31-Dec-16 (Unaudited)	
Elements of Fund Balance	Amount
Actual Fund Balance @ 9/30/16	\$ 23,402,597
Revenue YTD FY 2017	\$ 4,919,387
Expenses YTD FY 2017	\$ 4,438,835
Excess (Deficit) FY 2017	\$ 480,552
Estimated Fund Balance @ 12/31/16	<u>\$ 23,883,149</u>
Note: Revenue is on accrual basis.	

Fund balance continues to grow at a faster rate since we are now accumulating funds, pursuant to the Orders of this Court, to pay for the rehabilitation of Dero Road, upgrades to the residential transfer stations, the environmental closure of the Dededo Residential Transfer Station and the post-closure care of the Ordot Dump. Figure 23 illustrates how the fund balance from operations have changed over the time GSWA has been in receivership.

¹⁰ See footnote 3 of the Receiver's Quarterly Report dated August 4, 2016.

Figure 23 – Growth in Fund Balance FY2009 to FY2016



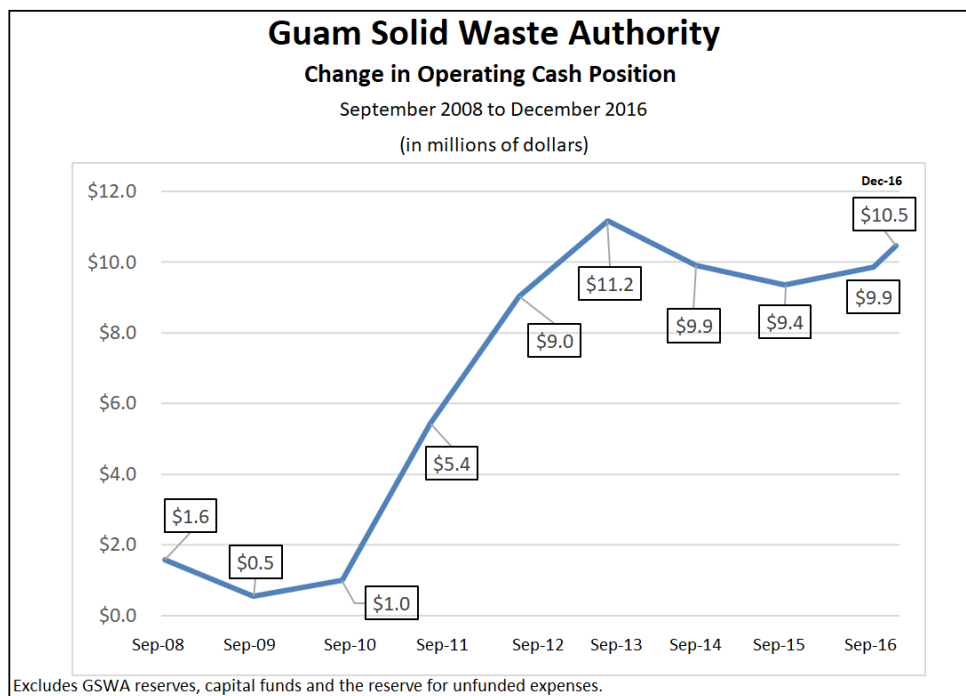
Payments for operating expenses of GSWA are made through the DOA and through the Receiver's trust account known as the Primary Account. Payments made by the Receiver are handled pursuant to the Disbursement Procedures approved by the Court. Tab 14 and Tab 15 provides a detailed list of the transactions affecting the Primary Account that occurred during the reporting periods. Payments are also made from the Construction Subaccount (for capital expenses) and the Reserve for Unfunded Expenses (for capital expenses and certain operating expenses for the Ordot Dump). These payments will be addressed later in this Report.

Cash Position of GSWA

Operating cash position has remained relatively stable during FY 2016 fluctuating near \$9.9 million where it is at the end of the 2016 fiscal year. Operating cash increased to \$10.5 million at the end of December 2016. GSWA's reserves, including the reserve for unfunded projects, are not included in GSWA's operating cash position since these funds are not available to pay routine operating expenses. Figure 24 shows

GSWA's operating cash position at the end of each fiscal year since the Receivership began and the cash balance at December 31, 2016.

Figure 24 – Change in GSWA Cash Position (Million \$)



Cash is a vital part of the results achieved by the Receivership. With adequate cash an organization such as GSWA can function and carry out its mission with efficiency and a level of success that simply cannot be achieved without sufficient cash. It is also true that GSWA now has other cash reserves that are set aside for equipment replacement, properly closing landfill cells when they are full and constructing new cells when they are needed.¹¹ These special purpose reserves should never be confused with the need for an operating cash reserve. They are not for the same purposes and both are vital to the long-term success of GSWA.

Guam Waterworks Authority and the Guam Power Authority both follow the good business practice to have significant operating cash on hand. Both of these entities require the cash they have and should actually have an even stronger operating cash balance. For the same reasons, GSWA's cash balances are both reasonable and required. GSWA now has about six months of operating cash available. Since

¹¹ Fully funding cells for closure and constructing new cells in one of the objectives of the Receiver's Financing Plan. Assuring that these reserves remain restricted to the purpose for which they were created and replenishing these reserves as they are properly used for these purposes, is one of the primary fiduciary duties of the Board of Directors in its post-Receivership management of GSWA.

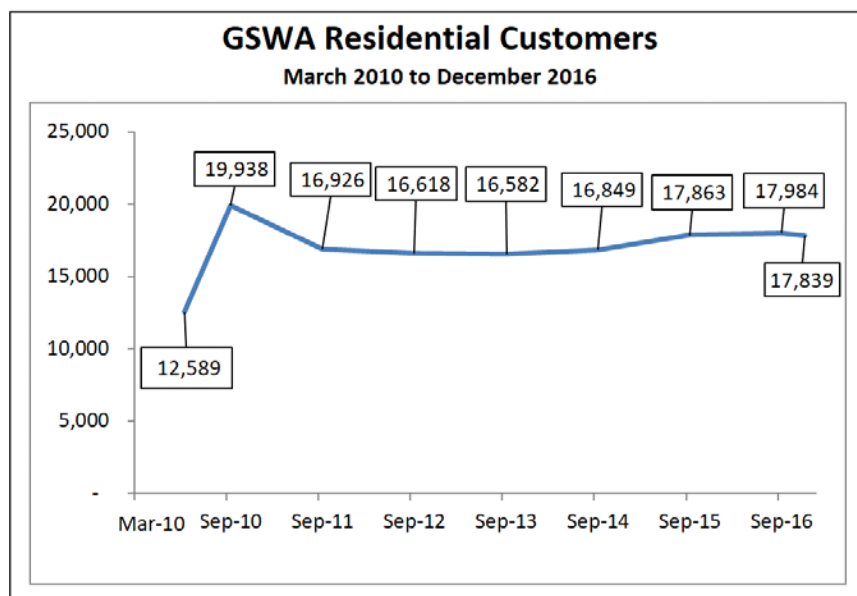
GovGuam is always short of cash and has a limited ability and willingness to assist GSWA with financing issues as they arise, this is a minimum amount of operating cash it should keep on hand.

The Receiver has been accused by the Office of the Governor and other parties of “hoarding cash,” as in an article in the see *Pacific Daily News*, on July 5, 2016 “Calvo: Federal receiver ‘hoards’ cash, partly to blame for GMH financial woes”. The Governor has said that GSWA’s cash should go to Guam Memorial Hospital. Draining the cash from GSWA to address a shortage at the Hospital may provide a short-term boost for the Hospital but it will send GSWA into a long-term downward spiral. The ultimate result would be a reprisal of the problems that plagued solid waste services in Guam prior to the Receivership. While we do not recommend any increase in rates, if GovGuam wishes to raise the rates for solid waste customers to offset its debt service costs, it may do so. GovGuam could use resulting funds for the Hospital or any other priority it determines to need funds. To drain GSWA of cash without raising rates is unlikely to solve GovGuam’s other financial problems, and it will certainly return Guam to the days of a totally dysfunctional solid waste system.

Status of Residential Customers

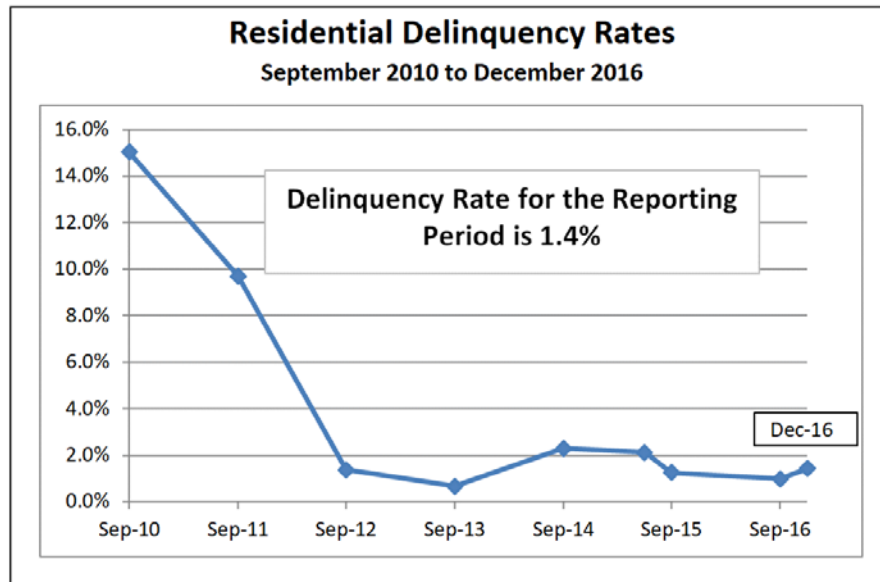
The number of curbside residential customers remained stable during the reporting periods. On September 30, 2016, the number of residential customers was 17,984 and on December 31, 2016 the number declined slightly to 17,839. Figure 25 illustrates the very stable base of GSWA residential customers and its steady growth under the management of the Receiver.

Figure 25 – GSWA Residential Customers



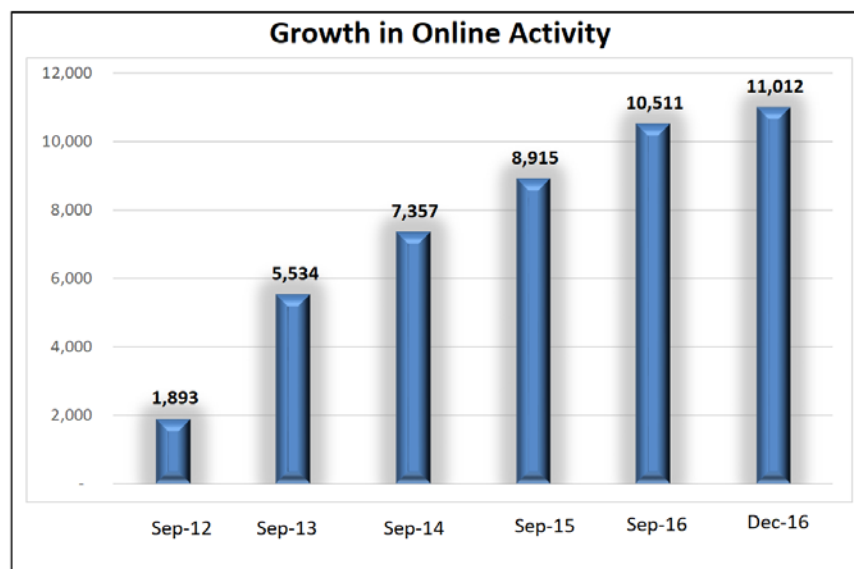
Residential delinquency rates remained very low during the reporting period. Figure 26 shows the trend in residential delinquency rates from September 2010 to December 2016.

Figure 26 – Residential Delinquency Rates



GSWA's customer service staff continues its excellent work to meet the needs of all GSWA customers and in doing so, they also produce very low delinquency rates. Online payments and account management by residential customers continued to grow as illustrated in Figure 27. The number of customers registering for online services increased to 11,012 an increase of 14.5 percent for the current fiscal year as of December 31, 2016. Almost 58 percent of GSWA residential customers access their accounts online.

Figure 27 – Growth in Online Activity

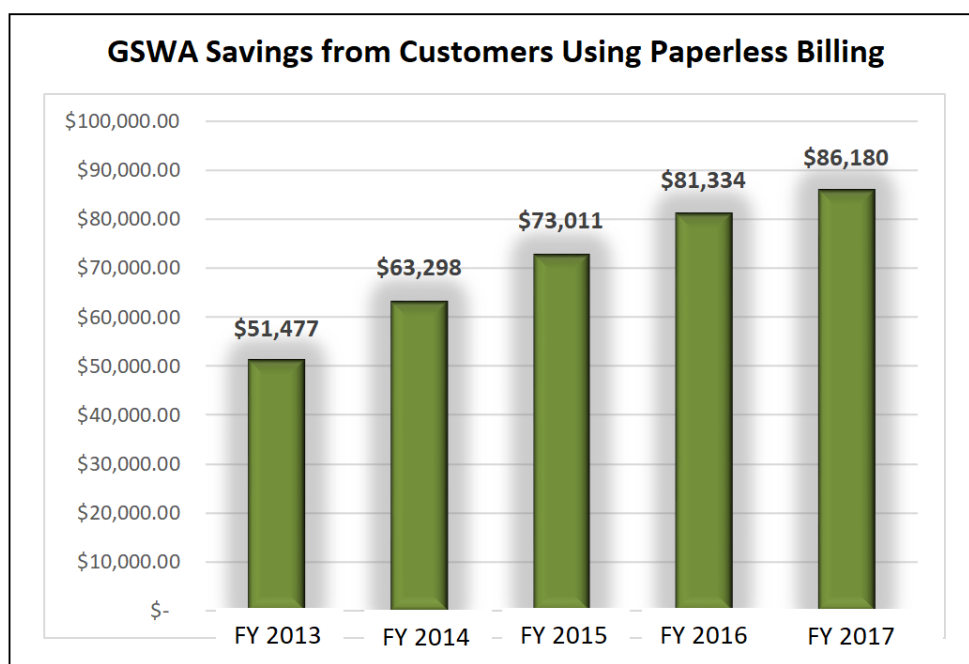


Online access to residential accounts is provided to GSWA customers through the cooperative work of PayPal and BMS Technologies, working in conjunction with Alpine Technology, the provider of GSWA's

customer service technology. Working together, these companies provide a very cost effective means to provide online services.¹²

Online services also include providing GSWA residential customers with the option of electing “paperless billing”. As we have reported in prior reports, the use of this billing method is both environmentally friendly and it saves GSWA a substantial amount of money, by avoiding printing and handling costs for a paper bill, bank charges and the postage required for paper bills. Figure 28 illustrates how the savings have grown as more residential customers utilize the convenience of this system.

Figure 28 – Customer Use of Paperless Billing



Status of Large Commercial Accounts

Large commercial haulers are the source of most of the waste managed by GSWA and, consequently, these customers also produce most of the system’s revenue. These commercial haulers collect waste from businesses on Guam, schools, churches and other large institutions, some government agencies, the military facilities on Guam, and Guam’s multi-family residential housing units (all housing facilities with more than four units are served exclusively by commercial haulers while GSWA may directly serve those

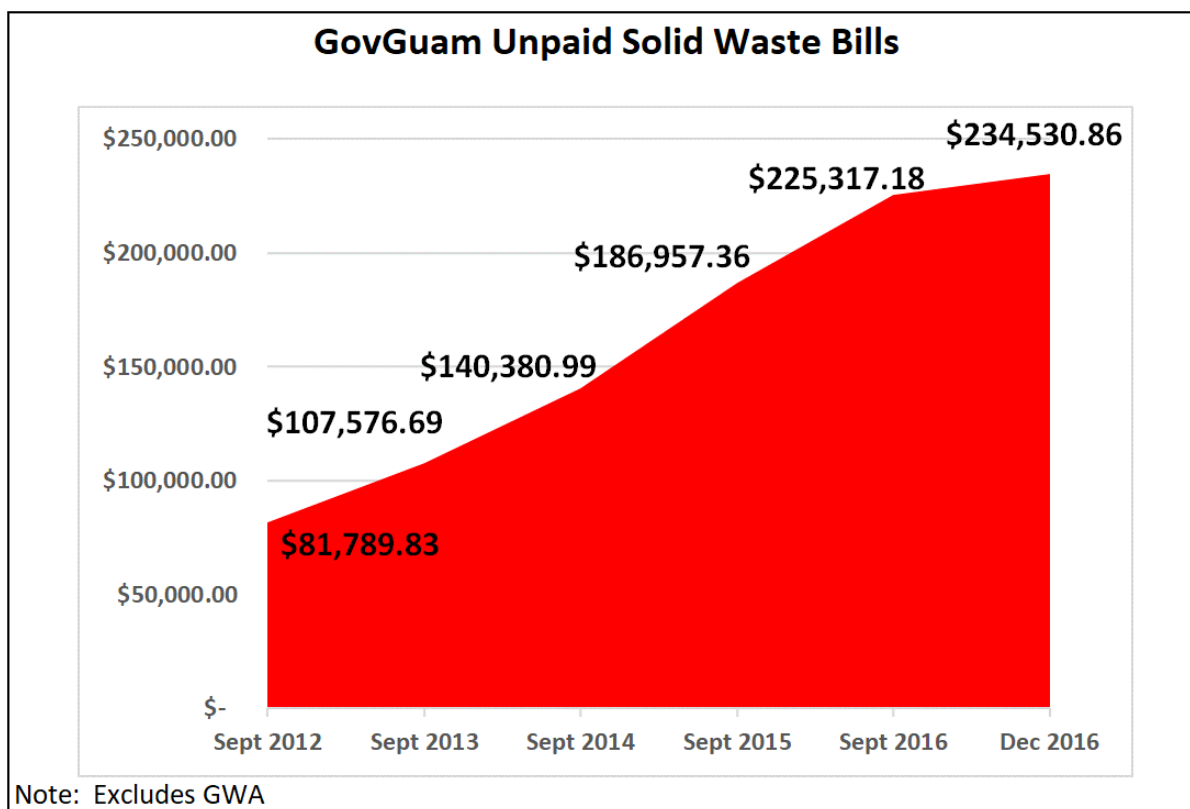
¹² As noted above, PayPal and BMS work in conjunction with GSWA’s customer service system which is provided by Alpine Technology. As the Court may recall, the Alpine customer service system was acquired as a part of the Receiver’s work to replace a GovGuam system that was old, unreliable and resulted in a complete loss of control over the residential customer’s accounts prior to the Receivership. The initial cost of this system was approximately \$215,000 and GSWA has a continuing relationship with Alpine to maintain and host the system. The average monthly cost for the Alpine System is about \$2,800.

with four or fewer units). All the major commercial accounts were in good standing during the reporting period.

Status of GWA and Government Accounts

GWA continues to remain in good standing. Unfortunately, most other GovGuam accounts remain in arrears. The unpaid balance in these other accounts has grown consistently for years. Figure 29 shows how the growth in the total amount owed by government agencies (excluding GWA) has grown since 2012.

Figure 29 – GovGuam Unpaid Solid Waste Bills



As has been noted in prior reports, the Receiver protects GSWA from these unpaid bills through its annual settlement process between the General Fund and GSWA.

Status of the Construction Subaccount

Payments from the Construction Subaccount were \$575,072.60 during the period ending September 30, 2016. Interest earnings were added to the account in the amount of \$223.22. In addition, \$59,775.00 was transferred to the Construction Subaccount from the Equipment Replacement Account to fund the purchase of capital equipment. The balance in the construction subaccount on September 30, 2016 was \$1,667,816.18. Tab 16 provides a detailed listing of all transactions affecting the account during the period ending September 30, 2016.

Payments from the Construction Subaccount were \$432,044.07 during the period ending December 31, 2016. Interest earnings were added to the account in the amount of \$176.42. In addition, \$77,033.88 was transferred to the Construction Subaccount from the Equipment Replacement Account to fund the purchase of capital equipment. The balance in the construction subaccount on December 31, 2016 was \$1,313,295.63. Tab 17 provides a detailed listing of all transactions affecting the account during the period ending December 31, 2016.

Table 9 provides the Court with an accounting of the retainage held for contractors that is paid from the Construction Subaccount and in the Dero Road and Residential Transfer Station projects that are paid from the Reserve for Unfunded Expenses Account. Table 9 provides the Court with an accounting of the amounts owed for retainage withheld as of December 31, 2016.

Table 9 – Retainage on Trustee Account Payments

Retainage on Trustee Account Payments As of 12/31/2016		
Company	Description	Amount
Hawaiian Rock Products	Retainage	\$ 159,013.68
EA Science and Technology	Retainage	\$ 22,635.19
GHD (formerly Winzler & Kelly)	Retainage	\$ 43,603.65
Total Retainage Held.....		\$ 225,252.52

Host Community Premium Surcharge Fees

During the reporting period, July 1, 2016, through September 30, 2016, GSWA assessed Host Community Premium Surcharge (HCPS) fees totaling \$90,592.33, bringing the total assessed HCPS fees during FY2016 to \$345,719.00. Due to the lag time allowed by Guam Law between billing and payment, HCPS fees collected during the period were \$72,605.05. These funds were distributed in equal amounts to the Villages of Inarajan and Ordot-Chalan Pago. A copy of the report filed with the Public Utilities Commission (PUC) for this period is attached as Tab 18.

During the reporting period, October 1, 2016, through December 31, 2016, GSWA assessed Host Community Premium Surcharge (HCPS) fees totaling \$91,239.19. During this period, fees totaling \$24,798.68 were collected for this period and the balance of \$130,249.32 due from the previous period was also collected. Total funds in the amount of \$155,048.00 were distributed in equal amounts to the Villages of Inarajan and Ordot-Chalan Pago. A copy of the report filed with the Public Utilities Commission (PUC) for this period is attached as Tab 19.

Capital Funding

Figure 30 provides the Court with an update on the Receiver's use of the capital funds available to implement the requirements of the Consent Decree. This figure reflects the use of capital funds as of

December 31, 2016. A much more detailed table is provided as Tab 20 providing the Court with project by project detailed numbers.

Figure 30 – Use of Capital Funds

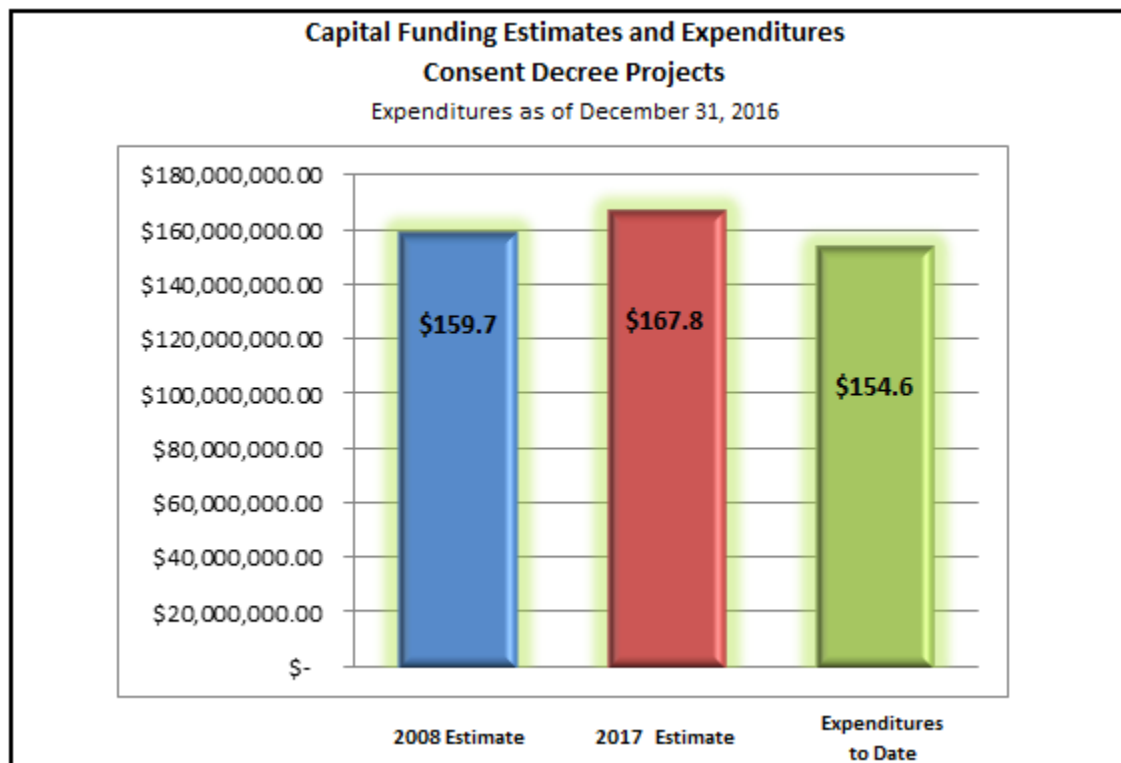


Figure 30 above and Tab 20 include both the capital projects funded by the 2009 Section 30 Bond Issue and the projects funded through the Reserve for Unfunded Expenses¹³. Expenditures from the Reserve for Unfunded Expense during the reporting periods are detailed in Tabs 21 and 22.

Compensation to Former Landowners of Ordot Property

With respect to the issue of the size of Lot 3434, the Superior Court dismissed the eminent domain proceeding regarding Lot 3434 without prejudice, and found that a land registration proceeding was the better forum to determine size and ownership of Lot 3434. Legal counsel is working to resolve the issue in compliance with the Superior Court's direction.

¹³ In its Order of May 2, 2016, the Court adopted the financing plan recommended by the Receiver in its Quarterly Report dated October 21, 2015. Under this financing plan the Reserve for Unfunded Expenses receives a monthly amount of \$374,758.08 to fund the rehabilitation of Dero Road, upgrades to the residential transfer stations, the environmental closure of the Dededo Residential Transfer Station and the post-closure care of the Ordot Dump. The financing plan also makes provision for the estimated cost of the closure of the cells one and two and the opening of a new cell at the Layon Landfill.

With respect to Lot 450, and as we have previously reported, the former owners have commissioned an appraisal by Captain & Associates. The Captain Appraisal determined the value of the property to be \$1.9 million. The previous appraisal submitted by the Receiver to the Superior Court of Guam¹⁴ established its value at \$308,000, as of November 13, 2013. This amount was deposited with the Clerk of the Court as required by Guam Law. We have now updated the valuation to account for the time that has passed since the original appraisal and the recovery of the commercial real estate market in Guam. The updated valuation as of July 13, 2015,¹⁵ is \$460,800. On December 27, 2016, the Receiver submitted an additional \$152,800 to the Superior Court of Guam to compensate the former owners the full valuation as determined by GSWA's appraiser. Trial is scheduled for November 16, 2017.

We are also finalizing a land transaction with the owners of property needed for an easement for stormwater improvements on Dero Road. Until that transaction is finalized, we have another agreement with the owners that has allowed the construction work to be completed pending the final agreement.

Compensation to Former Landowners of Layon Landfill Property

Little has changed in the compensation issue since our last report in which we were able to update the Court on the status of this compensation through September 30, 2016. The Office of the Governor, through the Governor's Legal Counsel has provided an update as of December 31, 2016, showing that the former owners claimed an additional \$217,605 in tax credits and, since the Government of Guam pays six percent interest on the unpaid balance, the former owners received an additional \$241,055 in interest payments, causing the total liability to increase. Table 10 provides an update of the total amount the land has cost the Government of Guam and the tax credits redeemed by the former owners as of December 31, 2016.¹⁶

¹⁴ Compass Real Estate Consulting was selected by the Office of the Attorney General of Guam to provide appraisal services to the Receiver.

¹⁵ This is the official date of taking. The delay between the date of the original appraisal and the actual date of taking was caused by the Governor of Guam's decision to remove the Office of the Attorney General of Guam.

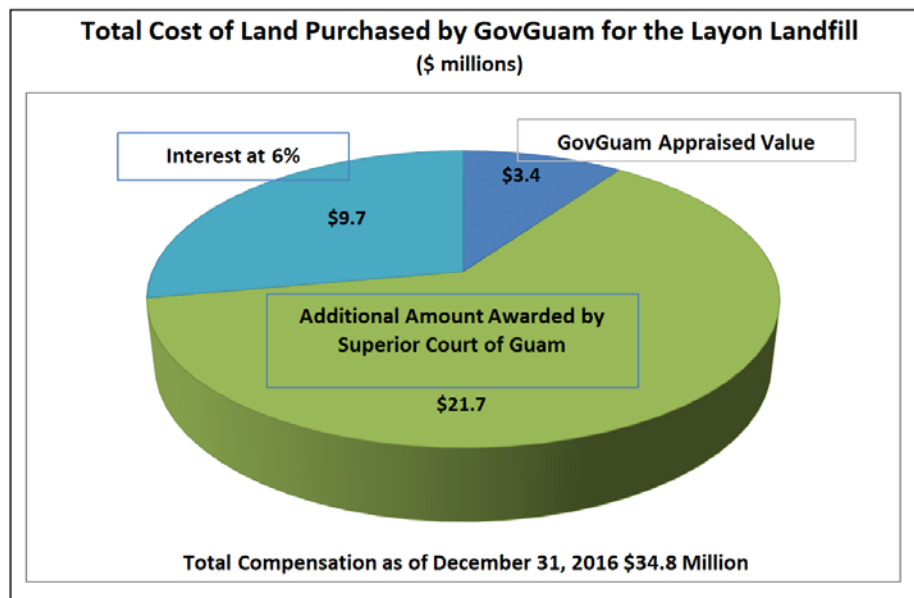
¹⁶ See Tab 23 for a copy of the information provided by the Governor's Legal Counsel.

Table 10 – Total Liability and Unpaid Balance

LAYON LANDFILL CONDEMNATION PAYMENTS	
As of December 31, 2016	
Original GovGuam Appraised Value	\$3,410,000
Additional Compensation per Judgment (CV0084-08)	\$21,705,683
6% Interest from 01/24/2008	\$9,691,606
Total Liability	\$34,807,289
Tax credits paid	(\$26,332,191)
Cash paid from Federal Compact/Impact Funds	(\$3,410,000)
Balance of Unpaid Judgment	\$5,065,098
<p>Minor differences between this table and the table allocating payments to specific former owners is due to rounding. There is also a \$20,000 difference in the appraisal report provided to the Receiver and the amount the Superior Court of Guam indicates the Government of Guam had already deposited with the Court for this land. We accept the Court's determination of the amount deposited since some of this occurred before the Receivership.</p>	

Figure 30 illustrates the elements of the total cost of the land. As we have noted before, the land's total cost was artificially high by any reasonable method of valuation and it is made even more expensive by the artificially high interest rate paid to the former landowners.

Figure 31 – Total Cost of Land Purchased by GovGuam for the Layon Landfill



As noted in our previous report, based on information from the Office of the Attorney General, the following former owners have been paid in full:

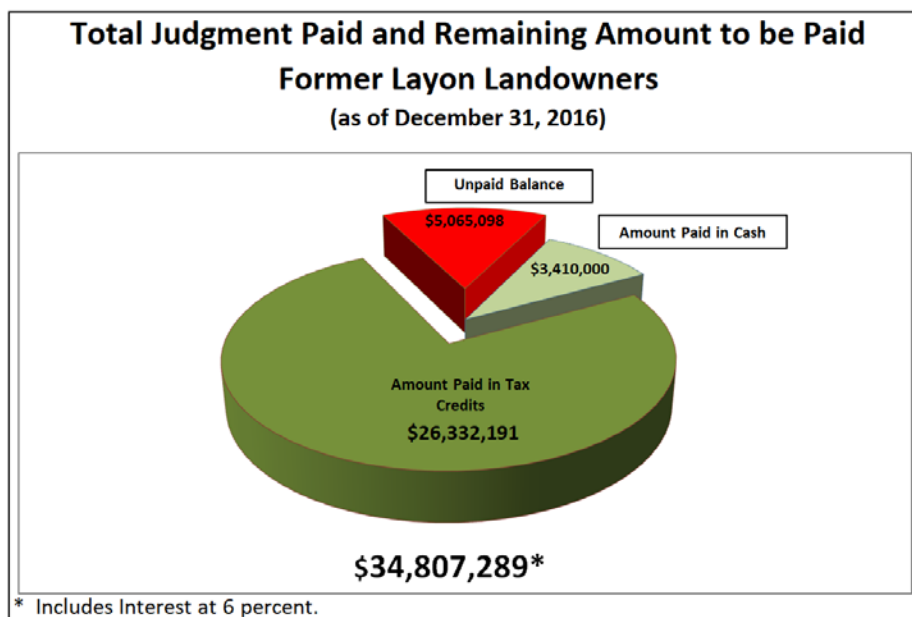
- Calvo's Insurance Underwriters, Inc.;
- Lee and Joan Holmes;
- Douglas F. Cushnie;
- Joaquin C. Arriola; and,
- Young Chull Kim.

Given this information, the remaining balance of \$5,065,098 as of December 31, 2016 is owed to:

- Oxford Properties & Finance, Ltd.;
- Valencia Investments Corporation;
- Jones and Guerrero Company, Inc.; and,
- Alfred and Diana Ysrael.

Figure 31 illustrates the total cost of the land, payments that have been made and the total remaining unpaid balance.

Figure 32 – Total Cost and Amounts Paid to Date for Layon Landfill Land



Reserves of the GSWA

Table 11 outlines the status of the reserves of GSWA on December 31, 2016. These reserves are for the purpose of setting funds aside to pay for the future needs of Guam's solid waste system. These reserves are maintained in separate bank accounts at the Bank of Guam. Tabs 24, 25, 26, and 27 provide the Court with all transactions affecting each of these accounts from July 1, 2016 to December 31, 2016.

Table 11 – Reserves of the Guam Solid Waste Authority

Reserves of the Guam Solid Waste Authority As of 12/31/2016	
Reserves	Total
Equipment Replacement Reserve	\$ 3,022,604.77
New Cell Development Reserve	\$ 255,838.57
Cell Closure Reserve	\$ 255,838.57
Post-Closure Care Reserve Layon Landfill	\$ 511,676.69
Total Reserves.....	\$ 4,045,958.60

The Receiver has also established two reserves in addition to the reserves reported above. These reserves are pursuant to this Court’s approval of the Receiver’s financial plan to pay for the remaining Consent Decree projects and the post-closure care of the Ordot Dump. The first of these is the Reserve for Unfunded Expenses. This is the account into which we deposit the funds previously provided to the Government of Guam to offset the Government of Guam’s debt service expense which is paid with federal Section 30 funds. On December 31, 2016, the balance in this account was \$7,244,720.24¹⁷. Tabs 21 and 22 of this report provide the Court with a detailed accounting of all the transactions that have affected this account during the reporting periods covered by this report.

The Receiver has also established the Ordot Dump Post Closure Care Reserve. On December 31, 2016, its balance was \$2,500,544.69.¹⁸ Tab 28 provides the Court with a full accounting of all transactions affecting Ordot Dump Post Closure Care Reserve during the reporting periods.

These accounts are where we projected them to be at this point; therefore, we are pleased to report that the Receiver’s financial plan is performing well and is on track to accomplish its purposes.

Waste Disposed at the Layon Landfill July – September 2016

The waste disposed at the Layon Landfill increased by 3.2 percent during FY 2016. Table 12 shows total waste disposed by customer type during FY 2016, compared to FY 2015.

¹⁷ On the date of this report the balance in the Reserve for Unfunded Expenses is \$6,759,417.68

¹⁸ On the date of this report the balance in the Ordot Dump Post Closure Care Reserve is \$3,335,062.21.

Table 12 – Total Waste (Tons) Disposed by GSWA, FY15 and FY16

Change in Waste (Tons) Disposed by GSWA			
By Customer Group			
Comparing October to September FY2015 with October to September FY2016			
Customer	FY 2015	FY 2016	% Change
Residential	20,028	20,350	1.6%
Commercial	54,748	56,393	3.0%
Military	8,034	8,143	1.4%
Government	8,070	9,317	15.5%
Mayors	1,733	1,947	12.4%
Transfer Stations	4,954	4,517	-8.8%
Other	132	143	7.9%
Total	97,700	100,811	3.2%
Note: About 3 percent of the waste handled by GSWA is not landfilled due to removal of excluded waste and water loss.			

Residential and commercial customers and the military increased at moderate rates in FY 2016. Government customers, driven by GWA and Guam's mayors, increased significantly during the period. Residential transfer stations, however, declined nearly 9 percent during this time; a change that is directly attributable to the decision by Governor Calvo to close the Dededo Residential Transfer Station.

Overall the tonnage disposed during this period increased 3.2 percent. As we noted in our Report dated August 4, 2016, the assumed growth upon which it is projected that Cells 1 and 2 would reach capacity in late August 2021, is 2.3 percent. Should the growth rate continue to exceed 2.3 percent, as has been the case in recent months, the capacity of Cells 1 and 2 will be reached sooner¹⁹. It is imperative that this continue to be monitored carefully to ensure that additional landfill capacity is available when Cells 1 and 2 are exhausted.

Waste Disposed at the Layon Landfill – October – December 2016

The waste disposed at the Layon Landfill increased by 4.7 percent during the three months of FY 2017. Table 13 shows total waste disposed by customer type during the first quarter, compared to the same period one year earlier.

¹⁹See pages 50-53 of the Receiver's Quarterly Report dated August 4, 2016.

Table 13 – Total Waste (Tons) Disposed by GSWA, FY16 and FY17

Change in Waste (Tons) Disposed by GSWA			
By Customer Group			
Comparing October to December FY2016 with October to December FY2017			
Customer	FY 2016	FY 2017	% Change
Residential	5,138	5,388	4.9%
Commercial	14,633	14,809	1.2%
Military	1,929	2,134	10.6%
Government	2,248	2,737	21.8%
Mayors	480	483	0.6%
Transfer Stations	1,160	1,219	5.1%
Other	28	41	49.5%
Total	25,614	26,810	4.7%
Note: About 3 percent of the waste handled by GSWA is not landfilled due to removal of excluded waste and water loss.			

Residential customers increased at almost five percent rate during the period and government customers, driven by GWA, increased by almost 22 percent during the period. The Military increased almost 11 percent and residential transfer stations more than 5 percent during this time.

As we have said before, the assumed growth upon which it is projected that Cells 1 and 2 would reach capacity in late August 2021, is 2.3 percent. Should the growth rate continue to exceed 2.3 percent, as has been the case in recent months, the capacity of Cells 1 and 2 will be reached sooner²⁰. It is imperative that this continue to be monitored carefully to ensure that additional landfill capacity is available when Cells 1 and 2 are exhausted.

Transition Progress

In the Quarterly Report of the Receiver dated October 21, 2015, the Receiver recommended and the Court subsequently approved a timeline for transition and certain tasks that need to be completed to assure a successful transition. The timeline calls for transition to occur on January 1, 2018.

The following tasks were also outlined in the Receiver's recommendations and we would like to take this opportunity to report to the court the status of these tasks based on the Receiver's progress and our understanding of the Board's progress. The current status is as of the date of this report.

1. Implementation and monitoring of the financial plan to complete Consent Decree Projects and fund Post-Closure Care of the Ordot Dump.
 - o **Current Status** – The plan has been implemented and, as reported elsewhere in this document, it is performing as expected.
2. Approval by USEPA of Ordot Closure Construction.
 - o **Current Status** – Complete (see letter dated May 12, 2017 submitted as Tab 3)

²⁰See pages 50-53 of the Receiver's Quarterly Report dated August 4, 2016.

3. Approval by USEPA and GEPA of the post-closure plan for the Ordot Dump.
 - **Current Status:** The plan is still pending with both agencies, however, discussions have been initiated by USEPA and we are hopeful it will be acted upon in the near future.
4. Planning for the work to be done and completing the environmental clean-up and construction of the upgrades to the Residential Transfer Stations and the Dero Road project.
 - **Current Status** - This work is complete for Dero Road except for the pending issue of the remaining stormwater issue discussed earlier in this report. Work is underway to complete the upgrades to the Agat and Malojloj Residential Transfer Stations and work will begin in the near future on the environmental closure of the Dededo Residential Transfer Station. All of this work is expected to be completed before the end of 2017.
5. Obtaining operating permits for the Agat and Malojloj Residential Transfer Stations.
 - **Current Status** – Work is underway and should be completed by the end of 2017.
6. Procurement
 - **Current Status** – Procurement for all construction has been successfully completed. Work is underway to issue procurements for the post-closure operator of the Ordot Dump facility, the trustee and the independent engineer. We expect to issue the procurement for the post closure operator of the Ordot Dump facility by late spring or early summer with the trustee and independent engineer by late summer or early fall 2017.
7. The Board's determination of how it will manage the closure of cells one and two at the Layon Landfill and the construction of a new cell.
 - **Current Status** – We assume that the Board is awaiting the hiring of a General Manager to address this matter. The Receiver is beginning the preliminary steps outlined in the Quarterly Report of the Receiver dated October 21, 2015.
8. Recruitment of a General Manager and Chief Financial Officer.
 - **Current Status** – In early January 2017 the Receiver began working with the Board to begin the recruitment of the General Manager and Chief Financial Officer. In each step of this process the Receiver has worked cooperatively with the Board following the Board's lead with respect to this process. The job announcements were widely advertised on behalf of the Board both on Guam and in industry circles where persons qualified for such a position would pursue such an opportunity. The Receiver has also assisted the Board further by evaluating the qualifications of the applicants and working with the Board to schedule interviews which will advance the process further.
9. Transitioning the Receiver's temporary staffing to full-time GovGuam employees.
 - **Current Status** – The Board has been working with their attorney to seek a law from the Guam Legislature to allow the Board to continue all Receiver Contracts for a limited time. To the Receiver's knowledge this has not yet been agreed to in the Legislature. It is further our understanding based upon legal advice that the Receiver was given by former Deputy Attorney General Pat Mason²¹ that, while the Receiver has the authority to contract for employees, it would violate the Guam Organic Act for GovGuam to contract for employees. We are unaware of any subsequent opinion of the Guam Attorney General or Court that would conflict with Mr. Mason's opinion. The Receiver is therefore concerned that the approach being taken by the Board may not resolve this critical transition issue.

²¹ See Tab 29 for a copy of Mr. Mason's advice.

10. As we have noted on several occasions, current GSWA rates are based upon this Court's authorization allowing the Receiver to establish interim rates pending adoption of permanent rates by the Public Utilities Commission (PUC). While the Receiver has presented rates to the PUC in 2012, no permanent rates have been adopted. Upon the Board's request, the Receiver presented a new rate study to the Board on December 31, 2016, for the purpose of allowing the Board to begin a rate making process.
 - **Current Status** – No action has been taken to date.
11. Updates to GSWA's operating rules and regulations.
 - **Current Status** – The Board has adopted and implemented rules governing its own deliberations and actions. Additional rules and regulations also exist that predate the Receivership and the creation of GSWA as an autonomous agency. Many of these rules appear to be inconsistent with the current practices of GSWA and its rate structure. The board has yet to review these rules for the purpose of bringing them up to date.

6. Next Steps

Ordot Dump Closure

- Continue operations, maintenance and monitoring until Post Closure Operator is on board.
- Obtain acceptance by USEPA of the Construction Certification Report.
- Continue to facilitate GEPA and USEPA regarding Post Closure Care Plan review.
- Continue development of the Ordot Dump Post Closure Care procurement documents.

Design and Construction Management

- Project construction management for renovation activities at Agat, Malojloj, and Dededo Transfer Stations
- Complete evaluation of the additional stormwater issues identified on Dero Road.

Layon Operational Support

- Provide construction management for the Surge Tank project on the GWA Inarajan sewer system serving Layon.
- Begin field investigations in support of design services for the development of new landfill cells.

Environmental Compliance and Monitoring

- Continue to conduct GEPA and USEPA bi-weekly meetings to guide and manage environmental permitting and compliance.
- Continue the environmental monitoring and compliance reporting for the Ordot Closure Facility.
- Continue to report and manage environmental compliance monitoring of the Layon Landfill operations.
- Continue to manage, monitor, and report the results of the quarterly Inarajan WWTP monitoring program.

Procurement and Contract Management

- Begin the procurement for the Ordot Post Closure Care Operator and transition the work to the successful proposer.
- Continue to monitor the purchase of new equipment and expedite if possible.
- Develop the procurement for the Ordot Trustee.
- Work with legal counsel to address remaining land issues and procurement issues.

Financial

- Carefully manage the Trustee Accounts and other bank accounts of GSWA and keep all parties informed.
- Continuously monitor the system's cash flow to ensure that sufficient cash is on hand at all times.
- Continue to carefully monitor expenditures and revenue collections.
- Monitor the volume of waste and update rate information accordingly.
- Continue to enforce the policies to ensure that delinquent residential and commercial accounts are paid in full or service is terminated.
- Monitor government accounts and work with GovGuam to address deficiencies.
- Manage and fund the capital needs of GSWA and the Consent Decree in compliance with the Orders of the District Court.
- Continue to monitor the status of the Government of Guam's payments to the former Layon Landowners.

Transition

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