

Quarterly Report of the Receiver

Civil Case No. 02-00022

United States of America v. Government of Guam

Guam Solid Waste Management Division

Prepared for:



U.S. District Court of Guam

Submitted by:



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

August 11, 2010

Printed on recycled paper

Quarterly Report of the Receiver
August 11, 2010

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

Solid Waste Management Division

Pursuant to the Order of the District Court of Guam (Court), dated March 17, 2008, appointing Gershman, Brickner & Bratton, Inc. (GBB) as Receiver for the Solid Waste Management Division (SWMD) of the Department of Public Works of the Government of Guam, we are pleased to submit to the Court this Quarterly Report (“Report”). The purpose of this Report is to describe to the Court the progress made toward compliance with the Consent Decree for the quarter ended June 30, 2010, and to outline the Receiver’s recommendations for achieving compliance with the Consent Decree. As an integral part of this Report, the Receiver is also submitting the attached presentation entitled “Quarterly Report for Receivership for the Government of Guam, Department of Public Works, Solid Waste Management Division” (see Tab 2).

Introduction

Since our last Quarterly Report dated April 8, 2010, we have continued working to bring Guam into compliance with the Consent Decree. There has been significant progress in construction of the Layon Landfill, including completion of all earthmoving activities, subdrain installation, and the initiation of lining system installation in Cell 1. In addition, construction of the entrance buildings and the access road and utilities has continued on schedule. During the quarter, all groundwater monitoring wells were installed and two groundwater sampling events were completed. The Receiver also brought under contract the work for the Inarajan Wastewater Treatment Plant design improvements and worked with Guam Environmental Protection Agency (GEPA) and the U.S. Environmental Protection Agency (EPA) on plans to develop a scope of work to be performed at the Ordot Dump for its closure.

With the transition to the new trash cart-based collection system now completed, the SWMD has seen a 60 percent increase in the number of registered customers to 19,416, compared with 12,080 when the Receiver was appointed in March 2008. The SWMD’s new billing and customer service system has enabled the SWMD to make a number of important improvements to its billing process and financial management. Looking ahead, the Receiver has begun planning for a bulky waste collection program for residents as well as a pilot program for curbside recycling collection using carts. In the financial area, SWMD expenditures were 55 percent under budget for the fiscal year. The Receiver continued to carefully monitor capital funding and assist the Government of Guam and the U.S. Department of Agriculture (USDA) with the USDA loan/grant. We also prepared for filing rate recommendations with

the Public Utilities Commission, and we have continued to work with the Military to advance an agreement for their participation as a customer of Guam's solid waste system.

In this Report, we present the following updates for April through June 2010:

1. **Layon landfill construction, construction management, design and permitting**
2. **Operations of the Solid Waste Management Division**
3. **Curbside recycling pilot project**
4. **Metallic and bulky item collection**
5. **Contract management and procurement**
6. **Financial issues and capital funding**
7. **Next steps**

1. Layon Landfill Construction, Construction Management, Design and Permitting (April – June 2010)

Construction

Earthworks

During this quarter, in preparation for the rainy season, Maeda Pacific Corp. (MPC) continued to perform hydroseeding for turf establishment, erosion and sediment control. The work that MPC is performing is important to reduce erosion and provide sediment control at the site following the completion of earthwork activities in the previous quarter. At the end of June, MPC had planted approximately 80 percent of the site, with 55 percent of this area now vegetated. It is important to expedite this work so that the site is properly protected from the effects of erosion and sedimentation during Guam's rainy season. It should be noted that as of the date of this report (August 11), it is estimated that 90-95 percent of the site has some grass established with an average vegetated percentage of between 75-80 percent.

The Receiver will continue to work with the construction manager and MPC to complete the remaining work, prepare as-built documentation, and complete final project documentation in compliance with the specifications and contract documents.

Access Road and Utilities

During this quarter, the contractor, Core Tech International (CTI), completed major earthmoving activities that were initiated in the previous quarter. CTI has now focused its construction work activities on the placement of subbase and base course gravel, and utility construction along the new roadway portion of the project. At the same time, utility construction and installation along the new roadway are fully underway with the installation of stormwater drainage systems, underground power conduit and junction boxes, water lines and valving, sewer line and appurtenances, and telephone and cabling conduit. Particular emphasis has been on the Talofofa Falls Resort road intersection. At this location, the Talofofa Falls Resort traffic will soon be using a detour along the new roadway alignment as work progresses. This work includes survey and staking, clearing and grading, trenching, excavation,

construction and placement of utility material, backfill, compaction, and associated quality control testing.

Along Dandan Road, major improvements have been made in this quarter by first clearing along the existing pavement and then placing fill to create the future roadway shoulders for a much safer roadway during construction and for final use when the existing pavement will be removed and replaced with new pavement. The contractor is working to reuse this old pavement as fill for the project. Utility improvements have also commenced along this portion of the roadway. As part of the utility improvements, the construction management team, Winzler & Kelly (W&K), has worked to secure right-of-entry authorizations with the landowners along the roadway so that underground power and other improvements can be provided to the properties and residential houses. As of July 20, 2010, 16 of the 28 affected property owners have signed the authorization to allow the work on their property. This work is closely coordinated with the Mayor of Inarajan to the greatest extent practicable.

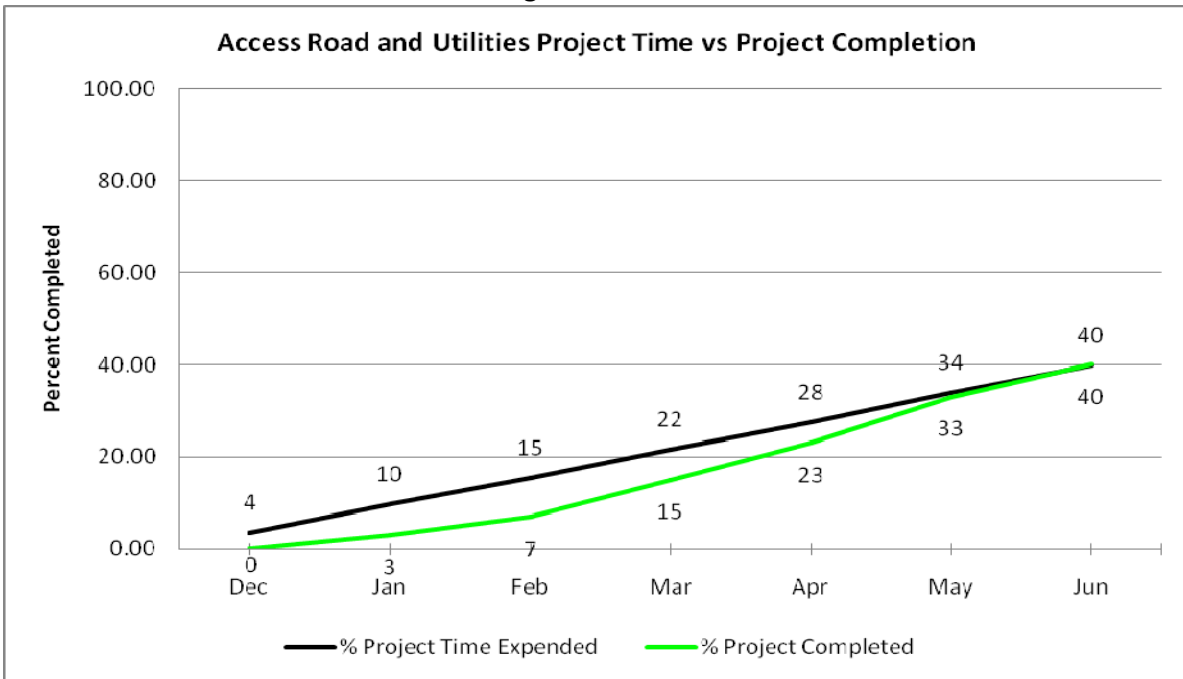
CTI continues to work with the Mayor of Inarajan to facilitate the work and provide site safety and safe working conditions for the surrounding community along the road areas. A particular concern we have addressed in this quarter was the relocation of the bus stop farther from the project. CTI continues to manage traffic and construction activity to avoid increased risk to the safety of school children and residents at the existing bus stop. In addition to controls at the bus stop, concrete jersey barriers and cones have been set up along the construction area for traffic safety. CTI continues to manage the site in compliance with environmental controls for this project.

Another area of work that has progressed significantly during this quarter is the installation of the sewer line along Route 4 that is to connect the landfill with the Inarajan Waste Water Treatment Plant (WWTP). By the end of this quarter, the line was installed to a point in front of the Inarajan Mayor's office, or approximately 3,600 feet from the Route 4/Dandan Road intersection. Throughout the trenching and excavation work for the installation of the sewer line, the Receiver has maintained the continuous presence of an archaeological resource monitor in accordance with the approved archaeological monitoring and mitigation plan. This plan worked effectively when the monitoring personnel stopped trenching work upon discovery of burial remains in the just-exposed trench sidewall near the bottom of the trench. Work was immediately stopped, the Historic Preservation Office was notified, protection measures were put in place, the sewer line was relocated, and work continued.

Throughout this quarter, CTI continued to make good progress and remained on track and slightly ahead of their overall construction schedule. Figure 1 below presents their progress.

Figure 1

Construction Progress: Access Road and Utilities



Landfill Entrance Facilities and Cells 1 and 2

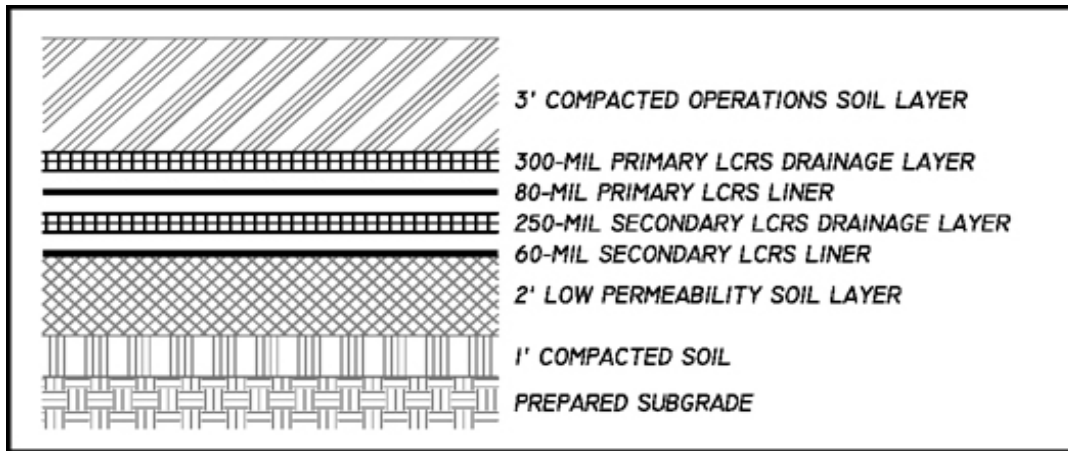
The contractor, Black Construction Corporation (BCC), completed the majority of major earthmoving activities this quarter in the entrance areas and within Cells 1 and 2, and has made significant progress on building construction and landfill liner installation.

During April, BCC focused efforts on the entrance buildings and placed the two-foot, low permeability soil layer in the cell areas. As soon as liner materials were delivered to the site in early May, Northwest Linings, BCC's liner installation specialist, mobilized to Guam with certified liner installing crews and the seaming equipment to weld the liner sheets together across the cells. At the same time, Vector Engineering, W&K's liner installation quality control specialist, mobilized its certified staff to Guam to perform the quality control testing and construction oversight of the liner work.

Following quality control testing work and acceptance of the soil installation, liner installation began with the placement of the 60-mil high density polyethylene material over the soil layer. The 60-mil liner is the bottom layer, or secondary liner, of the two-layer composite liner system. The installation of this first or secondary layer initiated the systematic process of installing the multiple layers that make up the liner system. Figure 2 is a schematic of the various liner layers that have been initiated during this quarter in Cell 1. The overall thickness of the liner protective system is over 6 feet from the prepared subgrade to the top of the compacted soil layer on top of which waste would be first placed.

Figure 2

Liner System Layers Initiated in Cell 1



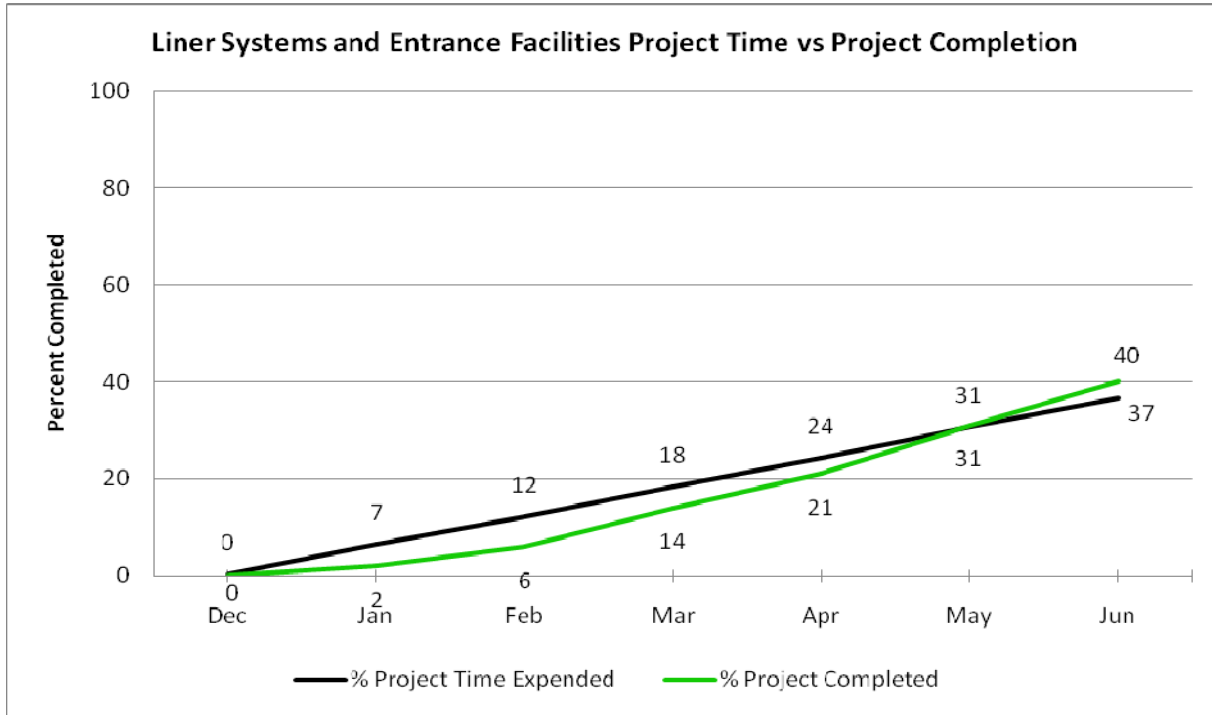
At the close of the quarter, BCC had all of the layers of this liner in various stages of completion in Cell 1. Liner material for Cell 2 arrived, as planned, in July allowing liner work to commence there as well.

Construction of the entrance facilities has made very good progress in this quarter with BCC completing the majority of the vertical structural components (foundations, floors and walls) of the administrative, mechanical and emergency generator buildings. BCC has worked diligently with the construction manager to meet the required specifications for the project as well as develop shop drawings to clarify many of the construction plans. BCC continues to expend considerable time and effort to coordinate successfully with the engineer-of-record (TG Engineers, PC) and the construction management team (Winzler & Kelly) to properly implement the project plans and specifications. At this point in the project, there have been well over 60 requests-for-information from BCC to TG Engineers, PC, primarily to request clarifications in the plans. Invariably, as the number of requests increase, the number of change orders also increase, resulting in increased costs to the project. BCC personnel attend regular weekly construction meetings conducted by the construction management team to maintain coordination and progress with the schedule.

Throughout this quarter, BCC continued to make good progress and remained on track, slightly ahead of their overall construction schedule. Figure 3 below presents their progress.

Figure 3

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



Figures 1 and 3 show the percent of work that is physically complete relative to the project time expended at the end of June 2010. During the quarter, both CTI and BCC rates of progress on physical work completed exceeded the rate of project time expended.

Groundwater Well Installation and Monitoring

During this quarter, EA Engineering Science and Technology (EA) completed the installation of all groundwater monitoring wells on schedule and in compliance with Guam Environmental Protection Agency (GEPA) well installation permits. The wells will be used over the next year to establish baseline groundwater conditions for the site. The first two monthly sampling events of the groundwater monitoring plan, in May and June, were completed as scheduled and on time, and a monitoring report was prepared. Each month a monitoring report is prepared that documents the event and presents the data. These monthly monitoring reports are provided to GEPA and the U.S. Environmental Protection Agency (EPA) as the plan is implemented. The data will be used to generate the Detection Monitoring Program Plan that will be implemented when the landfill is in operation. In addition to the groundwater sampling, surface water monitoring stations were established and sampled as scheduled. EA will continue to sample as called for in the plan and submit monthly monitoring reports as scheduled, providing regular reporting to the Receiver, GEPA and EPA.

Construction Management

The construction management consultant, Winzler & Kelly (W&K), is tasked with oversight of both CTI and BCC construction activities. W&K continues to effectively implement the construction management plan, coordinating the construction work between the two contractors and facilitating the progress of the work. W&K's efforts have contributed to advancing the project work completed ahead of schedule. For the quarter, W&K has continued to perform the following project tasks:

1. Daily and weekly construction inspection and reporting
2. Weekly construction meeting management and preparation of meeting minutes
3. Request-for-information (RFI) and submittal management and processing
4. Pay request submittal and review processing
5. Stormwater Pollution Prevention Plan inspection and reporting
6. Construction Quality Assurance Plan
7. Project documentation and as-built documentation
8. Public information management and coordination with the village community

Integral to the W&K team is the landfill systems specialist, Vector Engineering, which has provided independent, third party expertise, as required in the Solid Waste Facility Permit, to ensure that the contractor uses the proper liner materials and that those materials are properly installed. This work is accomplished by expert field staff and management review of the liner material submittals, installation procedures, and conformance testing to assure that this critical aspect of the construction meets the high standards that are required.

Design

Construction Design Support Services

Design services provided by the Engineer-of-Record, TG Engineers, PC, continue to support construction RFIs, submittal review, design clarifications or revisions to improve ease of construction, operation and maintenance, and to address changed conditions encountered at the site. The Engineer-of-Record has been required to respond to more than 60 RFIs and design clarifications at this point in the construction work. Change orders will likely occur as a result of some of these RFIs.

The Receiver will continue to involve TG Engineers to address design issues, since the responsibility and liability for the design remain appropriately with the Engineer-of-Record.

Pump Station Conditional Use Processing

During the quarter, the approval process for the zoning changes needed for the two lots acquired for the new sewer line pump stations continued. On June 14, 2010, public notice signs that announced public hearings to be held on July 13, 2010, were posted, as required by Guam law and regulation. The Agency Review Committee Meeting-Public Hearing schedule was longer than expected due to research time requirements by the Department of Land Management (DLM). There were no issues raised at these public hearings. The next step is for the changes, known as conditional use applications, to be put before the Guam Land Use Commission (GLUC) for final consideration at its next regular meeting,

anticipated to take place on August 12, 2010. Following GLUC approval, it takes approximately two weeks for the Notice of Action to be issued from DLM.

Layon Landfill Leachate Management

The scope of work for the Inarajan Wastewater Treatment Plant design improvements, influent and effluent monitoring and marine water monitoring was completed and contracted. Brown & Caldwell (BC), which prepared the Leachate Treatment and Feasibility Study (Nov. 2009), has been contracted through TG Engineers, PC, to perform the planning and design work. Additionally, the topographic, geotechnical and marine water quality monitoring has been contracted to EA Science and Technology (EA).

A kickoff coordination meeting and site investigation were conducted June 20-26 to establish monitoring points at the Inarajan WWTP and plan the work that is to be accomplished. The coordination meeting and site visit included GEPA personnel, who provided expertise on marine water quality sample locations. Based on this site investigation, it was determined that a dye trace test should be conducted to aid in determining shoreline sampling locations that will be used to establish baseline marine water quality. Both BC and EA have initiated design and scope modifications to incorporate the dye trace into their work activities.

Ordot Dump

During this quarter, the Receiver continued to work with GEPA and EPA for the planning and development of the scope of work to be performed to close the Ordot Dump. The Receiver met twice in San Francisco with GEPA and EPA personnel on April 30, 2010, and June 28, 2010, to advance the Receiver's understanding of the regulations and permits that would govern the closure of the Ordot Dump. These meetings, along with the regular GEPA/EPA/Receiver bi-weekly teleconferences, were also used to provide GEPA and EPA personnel with background information concerning the past and present conditions at the Dump. Through this coordination, the Receiver understands the primary tasks for dump closure are:

1. Closure Plan
 - a. Design of a final cover system
 - b. Develop a written closure plan
 - c. Develop a schedule for implementation
 - d. Install environmental monitoring systems, including groundwater and gas control
 - e. Evaluate landfill gas for potential energy generation as part of closure
2. Post-Closure Care Plan
 - a. Develop a post-closure care and monitoring plan
 - b. Prepare a final plan and schedule to implement post-closure

There are also property ownership and wetland encroachment issues to resolve that will be included in the scope of work.

To confirm the direction provided in these meetings, on June 10, 2010, the Receiver requested that EPA and GovGuam provide written guidance of the regulations and permits that will govern the closure. The Receiver will use this guidance to complete the scope of work for the closure. As of the time of the preparation of this report, EPA on July 1, 2010, and GovGuam on July 31, 2010, had submitted to the Receiver the guidance requested. Additionally, the Receiver, EPA and GEPA have agreed to conduct a monthly teleconference to coordinate and provide status on Consent Decree tasks to help ensure timely opening of the Layon Landfill and closure of the Ordot Dump. The draft scope of work presented in the last quarterly Report to the Court, together with the guidance provided by EPA and GEPA, will be used to prepare a final scope of work for incorporation into a Request for Proposals for engineering services in the next quarter.

The Receiver continued to implement the interim filling plan and closely track air space use at the Ordot Dump. As of the date of this Report, there are 351 days remaining until the Ordot Dump must be closed.

Permitting

Site-Specific Groundwater Monitoring Plan for the Layon Landfill

During the quarter, EPA provided final comments, which were incorporated into the Site Specific Groundwater Monitoring Plan (SSGWMP). The comments and revisions did not affect the schedule or anticipated completion date of monitoring work.

Solid Waste Facility and Air Pollution Control Permits for the Layon Landfill

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

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

Building and Environmental Permits for Construction

During the quarter, the contractors and construction management team continued to observe the conditions of the building and environmental permits during the construction activities, including archaeological monitoring, environmental protection plan implementation, erosion and sediment control, stormwater management and monitoring, and air pollution control. Any changes to the design plans are provided to GEPA and DPW as necessary to revise and update the permit plan copy.

Concurrent with the building permits, the building contractors and construction management consultants continue to monitor and manage environmental permit conditions for all the construction activities.

2. Operations of the Solid Waste Management Division (April – June 2010)

Ongoing Collection Service and Efficiencies

The SWMD has fully implemented the registration process and delivery of trash carts for weekly curbside trash collection as well as the new customer billing system. As of July 30, 2010, the SWMD had 19,416 customers, a 60 percent increase over the 12,080 registered customers the SWMD had when the Receiver was appointed. Customers continue to register for the service on an ongoing basis as the SWMD's reputation for efficient operations continues to grow.

Each of these 19,416 customers has received a 95-gallon trash cart with an RFID tag that enables the SWMD to better track the use of the cart. The covered carts have reduced the amount of rain water in the trash, thereby diminishing odors both at the collection and disposal points. The carts also enable a uniform collection system that keeps trash off the ground and has eliminated the assortment of old trash containers that once littered the roadways of Guam. Because some customers must move their carts over rough terrain, we have found that a small number of carts have required repairs to a wheel, axle, lid, RFID tag, or some other part. Less than 1 percent of the carts provided to SWMD customers have needed repair, as shown in Table 1.

Table 1

Cart Repairs

April	May	June	Total	Percent of Total
16	21	105	142	0.74%

The new RAMS PRO customer service software allows the SWMD's customer service personnel to more accurately and easily categorize inquiries to the SWMD. From the beginning of April through June, customer service staff responded to 910 inquiries. More than 40 percent of the calls (391) were made by customers who had registered for collection service and were calling to ask when they would receive their new trash carts. Twenty-five (25) percent of the calls (232) were complaints about late collections, an average of 77 per month. People calling to sign up for new service (71) accounted for about 8 percent of the calls. The remaining calls were comprised of non-compliance issues, such as customers placing bags without tags alongside their carts or putting banned material in the carts.

The number of complaints concerning missed or late trash collection continued to decline as a percentage of the total customer base. Table 2 outlines the complaints for the quarter ended June 30, 2010, compared with the comparable period in 2009.

Table 2

Customer Complaints Missed or Late Trash Collection				
Month	2009		2010	
	Complaints	% of Customers	Complaints	% of Customers
April	54	0.43%	74	0.40%
May	65	0.52%	73	0.40%
June	56	0.44%	85	0.44%

Operations Improvements

The Ordot Dump continues to be managed in a manner that minimizes flies, odors and the use of expensive rental equipment. The SWMD continues to implement proper waste management practices, thereby diminishing the number of flies and prevalence of odors on the dump’s premises and in the surrounding area compared with the odors and flies that were present when the Receiver arrived in Guam in April 2008.

As has been reported to the Court in several previous hearings, when the Receiver arrived, the SWMD was spending up to \$11,000 per day to rent heavy equipment for all of its facilities but primarily for the Ordot Dump. No such equipment was rented by the SWMD collection section this past quarter, and only \$464.00 a day was spent for equipment used at the Ordot Dump.

The collection unit of the SWMD has been reorganized so that all collection equipment (i.e., trash trucks, roll-off trucks and dump trucks) now fall under the management of the SWMD collection supervisor. This reorganization allows for faster allocation of resources, depending upon driver and vehicle availability. When not utilized for driving, the operators are assigned to work where needed, such as at the Ordot Dump, making cart deliveries and at the transfer stations.

As of July 1, 2010, the SWMD had 56 Government of Guam employees, seven (7) temporary staff, and two (2) contracted staff, totaling 65 workers, which is significantly less than the 99 employees in the SWMD when the Court appointed the Receiver.

3. Curbside Recycling Pilot Project

At the Receiver's October 2008 status hearing, the Receiver discussed with the Court a possible pilot recycling program whereby the SWMD would provide 1,000 of its customers with a cart into which the customer would place recyclables, which the SWMD would then collect, separate, quantify and take to a processor to be prepared for market. The pilot project would enable the SWMD to assess the value of implementing a full-scale curbside recycling collection program for all of its customers. The value of the program would be determined by the level of participation, weight of various materials collected, the level of contamination in the recycling cart (i.e., trash mixed with recyclables), and the cost of the program with any revenue offsets.

The SWMD has completed its registration drive and trash cart delivery program and now has the staff and vehicle resources to initiate a pilot curbside recycling program.

Description of Pilot Project and Service

From the SWMD's existing customer base, 1,000 households will be selected to receive a separate cart for recyclables, which will be collected on the same day as the customers' trash from their trash carts. The SWMD will select these households in consultation with the mayors. In addition, within each village, pilot project customers will be clustered together so that recycling collection will be as efficient as possible. During home visits with customers chosen for the pilot project, SWMD representatives will provide education material and review the recycling program requirements so customers will fully understand how the program works.

Table 3 lists the recyclables that will be accepted.

Table 3

Materials Recycled in Pilot Curbside Program	
Fiber	Examples: Cardboard, magazines, catalogs, newspapers, copy paper
Aluminum and Metal Cans	Examples: Soda, beer, juice, pet food, vegetable and soup cans
Plastics (PET & HDPE)	Examples: Clear and colored plastic bottles and containers with a #1 or #2 recycling symbol, such as those for soda, milk, laundry detergent, and water

The carts will be collected from the curb and the recyclables will be taken to a facility to be processed, weighed, and shipped to an end user off island.

How Will the Pilot Program Be Evaluated?

There are several factors that will go into the assessment of this program.

1. Participation in Recycling. The SWMD will perform a waste characterization study on 50 households before they receive their recycling carts. This will allow the SWMD to accurately gauge the number and type of recyclables currently in their weekly trash. During the course of the pilot program, the SWMD will perform random waste characterization studies on these same households to determine the level of recyclables that remain in the trash while the household is participating in the recycling pilot program.

2. Contamination in the Recycling Cart. The contamination level in the recycling carts is an important factor in determining the success of a curbside recycling program, and during the pilot project we will evaluate the amount of trash that is placed in the recycling carts. Low contamination rates mean cleaner material and therefore fewer resources expended to sort the material after collection. In the recycling industry, a contamination level of less than 5 percent of total weight is very good.

3. Weight of Recyclable Material Collected. The more material that is collected through recycling, the more material is diverted from the landfill, thus extending the life of the landfill. The amount of material collected in this pilot program depends on participation. Some jurisdictions, such as the curbside collection program on Oahu, Hawaii, collect a total of 22 pounds per month per household or 5 pounds per week (based on 4.33 weeks a month). Table 4 shows three possible levels of participation: low, middle, high. The middle is the current participation on the Island of Oahu, but many communities are currently achieving higher levels. Table 4 shows the estimated weight of material that might be collected during the pilot program for 1,000 households at each of three levels of participation.

4. Cost of the Program. The total cost of the program, reduced by any revenue received from the sale of recyclables, will be evaluated on a per ton basis and compared to the cost per ton of placing the recyclables in the Layon Landfill.

Table 4

Potential Recycling Volume Per Household (HH) Pilot Program Only					
Level of Participation	Pounds Per HH			Annual for 1,000 HH	
	Weekly	Monthly	Annual	Pounds	Tons
Low	2	8.66	104	104,000	52
Middle	5	21.65	260	260,000	130
High	10	43.3	520	520,000	260

Table 5 presents estimates of the annual tons a curbside recycling program could divert if it were extended to all customers.

Table 5

Potential Recycling Volume Per Household (HH)					
All Customers					
Level of Participation	Pounds Per HH			Annual for 19,000 HH	
	Weekly	Monthly	Annual	Pounds	Tons
Low	2	8.66	104	1,976,000	988
Middle	5	21.65	260	4,940,000	2,470
High	10	43.3	520	9,880,000	4,940

Collection Intervals

If the SWMD were to institute curbside recycling for all 19,000-plus customers, there would be both capital and operating costs for collection. These costs are directly affected by the collection interval used. For example, some jurisdictions such as Milwaukee, Wisconsin, and Nashville, Tennessee, keep their curbside recycling costs low by collecting once per month. The pilot curbside project will assess participation, contamination and weight levels, and costs at three different collection intervals. Participants in the pilot will be separated into three groups, each with a different collection schedule: weekly collection, every other week collection, and monthly collection. This will enable the Receiver to determine which approach best works for Guam.

How Will the Recyclables Be Processed?

The Receiver has been in contact with brokers of recyclables who indicate that they may be willing to purchase the material commingled. However, these brokers want to see the material before confirming that mixed loads are an option. It may be necessary to process the materials to remove contaminants for the mixed loads to be acceptable to be shipped in a mixed manner. In the event that mixed loads, with residue removed, are not an option, the material will be separated at the processor’s facility into the following categories: cardboard, plastic, aluminum, bi-metal and other (non-cardboard) paper.

The Receiver is aware of only one permitted organization on Guam with the equipment and personnel to accept and bale all the recyclables that would be collected in the pilot program. This organization can sort and bale the recyclables or bale all recyclables together if this is determined to be the best approach. The SWMD will collect the recyclables and deliver the material to the processor each afternoon. The processor will screen the recyclables for contamination and then bale the recyclables together or separately per the broker’s requirements. There are local outlets for the cardboard, plastic, aluminum and bi-metal, but the remaining paper will have to be baled and stored until enough has been gathered to justify a shipment off island.

Whether the recyclables are mixed together or separated, there is a cost for the work the processor will do, including the cost of labor to separate the materials each day, bale the materials, and possibly ship them. The cost for these activities will be determined once the processor is confirmed and the brokers are able to evaluate the material. Any revenue received from the sale of recyclables will be used to offset the cost of the program.

How Will the 1,000 Participating Households Be Determined?

The purpose of this pilot project is to determine the viability of curbside recycling for all of the SWMD’s 19,416 (current number) residential customers. It would not serve the interests of the pilot program to ask for volunteers because those who volunteer would most likely be recycling proponents who could distort the results of the pilot program in an overly positive direction. Having a random element to the selection helps diminish the risk that the results will be skewed in one direction or another. While the program will not be based on volunteers, participation in the program will be voluntary. Any customer who is selected but does not want to participate may simply opt out.

Collection efficiency must also be considered when selecting households for this project. The SWMD has a limited number of vehicles and personnel and must allocate them in a manner that keeps costs down and utilization up. Therefore, homes participating in this pilot program will be clustered together as much as is feasible. To maximize collection efficiency, recycling collections during the pilot program will be spread out over the five collection days in a manner illustrated in Table 6.

Table 6

Curbside Collection Pilot Program Collection Days

Area	Monday	Tuesday	Wednesday	Thursday	Friday
North	X	X			
Central			X	X	
South					X

The pilot program will reflect the geographic concentrations of our current 19,416 customers. Table 7 shows the concentrations of our current customer base in the north, central and south areas.

Table 7

Customer Location

Area	Percentage of Customer Households Living in Area	Percentage of Participant Households in Pilot Recycling Program
North	43.19%	43.19%
Central	39.33%	39.33%
South	17.48%	17.48%

Within these areas, customers will be chosen based on collection efficiency, allowing a truck and crew to collect the recyclables quickly and transport the material to the processor with enough time to sort and process it during the afternoon of the same collection day.

Schedule for Pilot Recycling Program

The implementation of this program will be staggered as it was for the implementation of the registration process. Implementing in stages helps to work out any problems that may occur in collections and processing. In both the SWMD's registration drive and cart deliveries, the operations began in the south and moved north, but the schedule for the pilot program will be the opposite by starting in the north, then moving to the central area and finally to the south—a schedule that follows the distribution of customers, as shown in Table 8. The implementation schedule is expected to take place in four phases of two months each: two months to finalize the processing contract and an additional two months per area as the scheduling table below shows. The two months with each area will include the education of the participants, the waste characterization of the trash, and the delivery of the carts.

Table 8
Implementation Schedule

Stages	Activity
1 st Stage: Setting Up 60 Days	RFEI for processor and contract; development of educational material for participants
2 nd Stage: Implementing in North 60 Days	Waste Characterization, educating participants, delivering carts, begin pickup
3 rd Stage: Implementing in Central 60 Days	Waste Characterization, educating participants, delivering carts, begin pickup
4 th Stage: Implementing in South 60 Days	Waste Characterization, educating participants, delivering carts, begin pickup

Assessment Report

At the completion of the pilot program (including six months of collection with random waste characterization, a survey of participants, and an examination of participation, tonnage collected, and level of contamination quantified), the Receiver will submit to the Court an assessment of the pilot program.

4. Metallic and Bulky Item Collection

Background

Guam has no system to easily collect and properly recycle and/or dispose of large metallic items, such as refrigerators and hot water tanks, and other bulky items, such as mattresses and sofas. These large items do not easily fit into residents’ passenger cars to be taken to a scrap yard, transfer station or Ordot Dump. These are often the items that one sees in the illegal dump sites along Guam’s roads and dead-end streets. Providing a collection service will help to diminish, but not eradicate, illegal dumping and increase recycling.

In the Receiver’s October 2008 Quarterly Report to the Court, we recommended, and the Court approved, a collection system that will rectify this transportation and disposal problem for metallic and bulky waste. On page 4, Tab 3, “Guam Scenario Report” of the October submittal to the Court, we described this system as follows:

“[a] curbside collection system by appointment for these [metallic and bulky] items. Residents would call in to the customer call center, be assigned a day that the material would have to be

out at the curb, and the truck and driver would come by and collect the large waste items. The island would be divided into three zones: North, Central, and South. Requests from each of these zones would be clustered together on the same day so the driver doesn't spend most of his/her time driving among zones. This service would be fee based, with the collection made by a SWMD employee or contractor using a knuckle-boom grapple-hook vehicle. These pieces of equipment would be advantageous for Guam to have given the island's historical need to also handle storm debris. The knuckle-boom grapple-hook acts as a hydraulic metal hand with the dexterity to grab and lift small to large items and place them in a trailer for transportation."

In Tab 1, Table 7, of the October 2008 Quarterly Report of the Receiver, we estimated that the equipment needed for this collection work would be two knuckle-boom trucks, three additional trailers, and two transport trucks with an estimated purchase price of \$553,500, as detailed in Table 9 below. We have now reviewed the equipment requirements and believe we can provide the collection service with only two knuckle-boom grapple hook trucks, for a total cost of \$305,000.

Table 9
October 2008 versus 2010 Equipment Estimates

Equipment	October 2008 Number required	Revised 2010 Number required	Unit Price	Cost 2008	Cost 2010 Revised
Knuckle-Boom Grapple Hook Trucks	2	2	\$152,500	\$305,000	\$305,000
Additional Trailers	3	0	\$49,500	\$148,500	\$0
Transport Truck	2	0	\$50,000	\$100,000	\$0
TOTAL:	7	2		\$553,500	\$305,000

The SWMD has consolidated its residential collection routes and thereby freed up drivers to work these collection vehicles. No new positions will need to be funded in order to provide this service.

Bulky Waste Collection in Other Jurisdictions

Communities handle bulky waste collection in various ways. Table 10 describes the costs for collection in a sample of jurisdictions. The manner in which charges are assessed range from a per-item cost to a

per-cubic yard (cy) cost to a per-collection cost. All of these jurisdictions provide a maximum limit or assess charges for excess material. Some jurisdictions require the customer to pay in advance while others add the fee to a utility bill after the service.

Table 10

Sample of Communities with Bulky Waste Collection Programs

Jurisdiction	Service	Charge to Customer	Note
Edmond, OK	Metallic & Bulky	\$10 per cubic yard (cy) for first 2 cy; \$5 per cy thereafter	Route system with call in for specific information; charges assessed on next utility bill; maximum of 12 collections per customer per year
Norfolk, VA	Metallic & Bulky	From \$75 per pickup to \$15 per cy if above a certain amount	12 small collections a year as part of the service
Oklahoma City, OK	Metallic & Bulky	4 cy free and \$8.31 per cy above that amount	
Westbrook, ME	Metallic & Bulky	Stuffed furniture: Couches, stuffed chairs: \$20.00 each Wood furniture, chairs: \$15.00 each Small wood furniture: \$10.00 each Box springs: \$15.00 each Mattresses: \$20.00 each Carpet rolled, tied and in lengths of no more than 6 ft.: \$15.00 each	Pay beforehand; customer buys a tag to place on the item
Dartmouth, NH	Metallic & Bulky	Bulky items: \$5.00 each TVs and computer monitors: \$15 each Appliances: \$10.00 each	4 items maximum, collection by appointment, pay beforehand
La Habra, CA	Metallic & Bulky		4 pickups per year by appointment
Berkeley, CA	Metallic & Bulky	3 cy free, after that a charge	1 free pickup a year by appointment
Arcadia, CA	Metallic & Bulky	4 collections included in residential trash service	Bulky items include furniture, large kitchen appliances, used hot water heaters, electronic waste and extra green waste
Miami-Dade, FL	Metallic & Bulky	2 collections free; \$23 per cy that is excess; \$115 per extra collection of 5 cy	Can arrange collection time online

Program Description

Similar to several of the jurisdictions in Table 10, the SWMD will provide two free metallic and bulky item collections a year to its residential trash customers. SWMD customers will be charged a fee for all collections after the two free collections have taken place.

Because this collection is for large items only, the SWMD will establish five (5) as the maximum number of items allowed for each pickup. In addition, there will be a single fee for each collection beyond the two free collections for SWMD customers, regardless of the number (up to five) or types of large items collected. Charging one fee for the collection of these items will be easier to manage and less subjective than estimating cubic yards, establishing a per-mile cost, or selling tags for different types of items. SWMD customers will be accorded the privilege of having the charges for their collections, after the two free pickups, applied to their monthly invoices.

How the Program Will Work

The steps to request a pickup and for the SWMD to complete the service are the following:

1. Current SWMD customers will call the Customer Service Call Center (CSCC) and make a request for a pickup.
2. A CSCC Representative will ask for a description of the items, inform the caller what can and cannot be collected and that a total of five (5) items or fewer will be collected. The caller will be told that the material must be placed out at the collection point by 6:00 a.m. the day of collection. The CSCC representative will bring up on the computer screen the caller's account information and confirm the information with the correct pickup location.
3. The CSCC Representative will designate a pickup day based on the geographic area of the pickup location.
4. The CSCC will charge the customer's account with a free pickup or, if the customer has already had two free collections that year, will assess a fee for the service.
5. The CSCC will finalize the Service Work Order and deliver it to the collection dispatcher who will assign the work to a crew for collection.
6. On the designated collection day, the collection crew will be dispatched to collect at the stops in the specified area, or zone, for that day. The crew will find the material set out at the curb by the owner, review the items to see that they all can be collected under this program, separate out the metallic from the bulky material, use the grapple hook to place the items in the trailer, and drive to the next stop.
7. Once the trailer is full, the crew will transport the metallic and bulky items to a designated location for further processing.
8. Metallic items will be taken to a scrap dealer for recycling. Bulky items will be evaluated for possible reuse and if not reusable will be transported to the Ordot Dump or Layon Landfill.
9. The material that is taken to the scrap dealer will be counted toward Guam's recycling rate and the material reused will count toward the island's diversion rate.

Transfer Stations and Metallic/Bulky Items

Drop-off options for metallic and bulky waste will not change. Currently, the transfer stations do not accept metallic and bulky waste. Residents who bring metallic material to the transfer stations are informed that they can take the material to any one of the scrap dealers on the island. The private sector currently provides numerous drop-off outlets for this material.

Non-metallic bulky items (i.e., mattresses, sofas and furniture) are currently accepted at the Ordot Dump but not at the transfer stations because these bulky items would take up a considerable space in the roll-off containers and, if allowed, would displace the trash that other customers bring to the facilities. Furthermore, if this material were accepted at the transfer stations, the SWMD would have to purchase more open-top roll-offs or a pre-crusher that consolidates the bulky material into a smaller volume of material.

Once the new Layon Landfill is opened, access to the landfill will be limited to commercial haulers. At that time, when residents can no longer take bulky items to the Ordot Dump, they will need to have an alternative location to drop off their bulky waste material. Two transfer stations, one in the north and the one nearest the Layon Landfill (Malojloj), will receive bulky items. These items will be sorted into two groups: items that may be reused and those that need to go immediately to the landfill. If the volume of material exceeds the transportation capabilities of the SWMD, a precrusher may be placed at the facility to consolidate loads. The Receiver will continue to review the need to handle the bulky waste at all of the transfer stations after the Layon Landfill is opened.

Next Steps

The knuckle-boom grapple hook trucks will need to be procured. Now that the cart rollout is completed, the Receiver will develop procurement documents for the new trucks, put them out to bid, and evaluate the bids while maintaining close communication with the Government of Guam's Government Service Agency.

The personnel who will operate the bulky waste equipment will be re-assigned from the daily trash collection routes that have been consolidated. These drivers know the current customers' locations and the road structure of the island, and they will be trained to manage the mechanical and operational details of the equipment.

The Receiver expects the procurement and delivery of equipment and the training of SWMD employees to take up to 150 days. Beginning with the trash cart registration process, we have been informing residents about the new service, and preliminary information about the program is posted on the Receiver's website. We will augment the website information once the equipment is on island, inform the media, and include a notice to customers in their monthly billing statements once we have determined a start date for the service.

5. Contract Management and Procurement (April – June 2010)

Activity during the quarter was focused on contract management and preparation for procurement activity to obtain the services of a Commercial Transfer Station, an Operator for the Layon Landfill and initial activity to begin the final closure of the Ordod Dump.

Table 11 provides a complete update of each contract currently in place, the amounts spent to date on these contracts, and the status of the work. Direct employee contracts, payments to the Government of Guam and one-time expenditures are not included in the table but are reported elsewhere in this Report.

Table 11

Consent Decree Contracts as of June 30, 2010				
Contractor	Purpose of Contract	Amount of Contract	Citibank Trust Account Expenditures	Work Status
Maeda Pacific Corporation	Layon Landfill - Construction of Landfill Operations Road and Mass Grading for Cells 1 and 2	\$ 10,045,245	\$ 9,542,983	Close-Out Phase
Core Tech International	Layon Landfill - Construction of Access Road and Utility Improvements for Community	\$26,832,053	\$ 3,150,576	On-going
Black Construction Corporation	Layon Landfill - Construction of Entrance Facilities and Cells 1 and 2	\$22,053,298	\$ 3,785,301	On-going
EA Engineering, Science & Technology, Inc.	Groundwater Quality Monitoring Services	\$ 857,750	\$ 46,220	On-going
TG Engineers, PC	Layon Landfill - Design and Engineering Services	\$ 9,522,562	\$ 1,192,022	On-going
Winzler & Kelly	Construction Management Services for Consent Decree Projects	\$ 3,875,284	\$ 995,985	On-going
Shaw Environmental, Inc.	Technical Assistance	\$ 305,347	\$ 1,371	On-going
Pacific Human Resources Services, Inc.	Temporary Staffing Services for the Solid Waste Management Division	Indefinite	\$ 233,143	On-going
Alpine Technology, Inc.	Customer Service Software	\$ 240,078	\$ 181,708	On-going
Far East Equipment	New Trucks, Roll-off containers and Trash Carts	Gov Guam Purchase Orders	\$ 2,017,588	On-going
G4 Security Services of Guam	Security Services for the Solid Waste Compound	Indefinite	\$ 16,904	Closed
Pacific Island Security Agency	Security Services for the Solid Waste Compound (replaced G4 Security Services of Guam)	Indefinite	\$ 32,774	On-going

Note: Does do not include retainage or expenditures directly paid by the Government of Guam. All contracts are inclusive of change orders approved through June 30, 2010.

Tab 3 provides the Court with a complete list of approved change orders for the contracts listed in Table 11. Tab 4 provides a detailed listing of all payments made under these contracts.

An important tool in the operation of the Layon Landfill will be the Commercial Transfer Station. This transfer station, unlike the long established transfer stations that have been a part of Guam's Solid Waste System for many years, will be used exclusively for the purpose of consolidating the waste collected from the residential and business customers of the system into much larger trucks for transport to the Layon Landfill. The other objectives of the Commercial Transfer Station are to reduce the amount of truck traffic actually going to the Layon Landfill and improve the efficiency of operations by reducing cost. The Commercial Transfer Station must be a properly located and well designed facility to achieve these objectives, and the facility must also have a permit from the Guam Environmental Protection Agency in order to operate.

The approved capital budget includes sufficient capital funding to allow for the building of a Commercial Transfer Station. However, since these funds were approved, we have learned that there is already one such permitted and active facility on Guam. We believe contracting with such a privately owned facility has the potential to save significant money. In order to assure that we consider the facility of which we are aware, and any other such facilities that may currently exist or that will exist prior to the opening of the Layon Landfill, we prepared a Request for Expressions of Interest (RFEI) in June and released the RFEI on July 12th. After we review the results of the RFEI, if only one viable transfer station is determined to be available, we will enter into contract negotiations to determine if a cost-effective, long-term contract can be obtained. If the evaluation of the RFEI determines there is more than one viable source of these services, we will prepare a procurement process to competitively select the contractor to provide these services.

Another important procurement involves the selection of a qualified operator for the Layon Landfill. During the quarter ended June 30, 2010, we developed the initial drafts of a Request for Proposals (RFP) for the Operator. This RFP has been reviewed by the Office of the Attorney General, and we are currently working to finalize the procurement for release in late August or early September. We hope to make an award and finalize the contract in early 2011.

In our April 8, 2010 Quarterly Report to the Court, we included a draft scope of work for consultants to investigate the environmental damage resulting from operation of the Ordot Dump and to recommend the remedial action that needs to be included in the plans to close the Ordot Dump. Since that Report was published, we have received suggestions from both the EPA and GEPA. Based on this input and our own additional review, we plan to revise the scope of work and use it as a basis for the initial procurement for beginning work on the final closure of the Ordot Dump. We expect the procurement process for this work to begin this fall. A more detailed discussion of this important topic is provided elsewhere in this Report.

To further inform the procurement process and planning for the final closure of the Ordot Dump, we also wrote to the EPA and the Guam Attorney General to seek their guidance on the permits and other

formal governmental approval requirements that are applicable to the closure of the Ordot Dump. Our letters and the responses we received are included in Tab 5

Finally, we have received information that the Government of Guam is issuing a Request for Proposals to develop a Solid Waste Management Alternative Analysis. The Government is apparently seeking funding through the U.S. Department of Defense to fund this work. The proposed scope of work, as it has been described to the Receiver, is as follows:

1. Analyze alternative waste management for household waste, household hazardous waste, commercial solid waste, industrial solid waste applicable, thus reducing the amount of waste going into the Layon Landfill
2. Evaluate each alternative
3. Identify costs associated to plan, procure, build, operate and maintain preferred alternatives
4. Identify proposed strategy to implement
5. Provide draft legislation for implementation of preferred alternatives when applicable

While the Government may wish to continue to review alternatives for the future, focusing on improving recycling on Guam would be a far better use of any resources the Government may have available, before contemplating more expensive and/or less proven techniques for Guam.

6. Financial Issues and Capital Funding (April – June 2010)

Financial Issues

Overview

During the quarter ended June 30, 2010, the SWMD continued to implement many improvements in its financial management, and the Receiver carefully monitored capital funding and cooperated with the Government of Guam to facilitate its application for USDA funding. This section will provide the Court with updates on the following:

1. Operating results for the SWMD from October 1, 2009, to June 30, 2010, for FY 2010
2. Implementation of the new billing and customer service system
3. Delinquent customers
4. Capital funding requirements
5. Status of the Citibank trustee accounts
6. Status of clean-up of DPW compound
7. Status of the USDA loan/grant

8. Rate recommendations to the Public Utilities Commission
9. Bridges and Roadway Repairs and Replacements
10. Volume of waste
11. Status of discussions with the Military as a potential customer of the new system

1. Operating Results for the SWMD from October 1, 2009, to June 30, 2010

Through June 30, 2010, expenditures for the SWMD remained well under the approved budget for the period. Total expenditures for the first nine months of FY 2010 were 55 percent under budget. Table 12 presents the operating results to date for FY 2010.

Table 12

Solid Waste Management Division Operating Budget FY 2010 October 1, 2009 to June 30, 2010				
Item	FY 2009 Actual Expenditures	FY 2010 Approved Budget to Date	FY 2010 Actual Spending* to Date	% over (under) Budget
Personnel Expenses:				
Regular Salaries	\$ 1,903,710	\$1,653,284	\$1,121,297	-32.2%
Overtime/Special Pay	\$ 22,911	\$261,413	\$151,033	-42.2%
Benefits	\$ 577,238	\$503,491	\$303,192	-39.8%
Sub-total	\$2,503,859	\$2,418,188	\$1,575,522	-34.8%
Non-Personnel Expenses:				
Travel	\$ 3,545	\$0	\$0	N/A
Contractual Services	\$ 1,265,160	\$2,825,101	\$778,813	-72.4%
Supplies and Materials	\$ 442,188	\$503,380	\$339,908	-32.5%
Equipment	\$ 4,599	\$66,000	\$3,761	-94.3%
Utilities - Power and Water	\$ 16,860	\$65,375	\$18,866	-71.1%
Communications	\$ 17,703	\$12,042	\$10,838	-10.0%
Capital Outlay	\$ 221,738	\$185,000	\$9,150	-95.1%
Miscellaneous	\$ 1,255	\$7,000	\$2,004	-71.4%
Sub-total	\$ 1,973,048	\$ 3,663,898	\$ 1,163,341	-68.2%
Grand-total	\$ 4,476,907	\$6,082,086	\$2,738,863	-55.0%
*Does not include encumbrances				

Table 13 summarizes both the revenue billed and the actual cash collections for the period.

Table 13

SWMD Revenue Billed / Collected			
October 1 through June 30			
FY 2010			
Customer Class	Billed	Collected	%
Commercial	\$ 5,329,878	\$ 4,455,130	83.6%
Residential	\$ 1,245,235	\$ 1,173,782	94.3%
Government	\$ 216,716	\$ 13,163	6.1%
Total	\$ 6,791,829	\$ 5,642,075	83.1%

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

Table 14 provides a concise summary of the bottom-line results for FY 2010 through June 30, 2010.

Table 14

Solid Waste Management Division	
Fund Balance	
30-Jun-10	
(Unaudited)	
Elements of Fund Balance	Amount
Fund Balance @ 9/30/09	\$ (182,596)
Revenue FY 2010	\$6,791,829
Expenses FY 2010	\$2,738,863
Excess (Deficit) FY 2010	\$4,052,966
Fund Balance @ 6/30/10	<u>\$3,870,370</u>

Note: Revenue is on accrual basis.

2. Implementation of the New Billing and Customer Service System

The SWMD has now been operating for six months with the new billing system for residential customers, and we are pleased with the progress of the SWMD staff in managing the new system. Bills for the previous month are now regularly produced within the first few days of the next month, and we are presently integrating the billing for commercial customers into the new system. In addition, we have worked closely with the Department of Administration to develop a process for reconciling the new system to the accounting system of the Government of Guam.

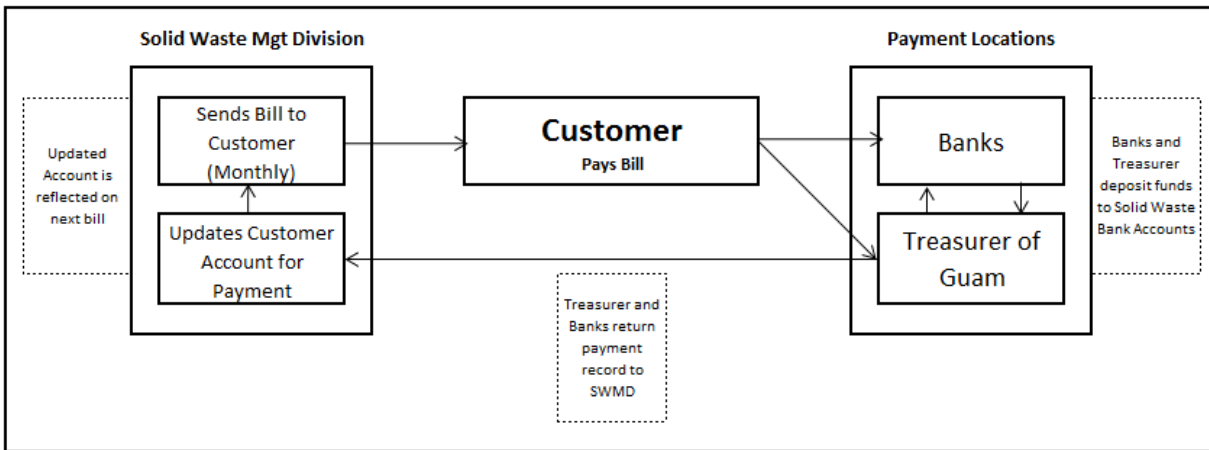
Since the April Report, we have successfully added the option for customers to pay using GuamPay, the official online payment system of the Government of Guam. This payment option is being used by an

increasing number of customers, and it is an approach we want to encourage. In addition, customers may also mail their payment to the Solid Waste Management Division.

On a day-to-day basis, however, we are experiencing serious problems receiving information from the Treasurer of Guam about the payments made by customers to the Treasurer of Guam. In our last Quarterly Report, we illustrated the flow of payments as follows in Figure 4.

Figure 4

Flow Chart of SWMD Customer Payments



Unfortunately, despite our efforts to work with the Treasurer’s office, delays transmitting information to the SWMD are increasing. While the goal is to receive information on customer payments the next business day after the payment occurs, some customer payment information is delayed several days, and in some cases for two to three weeks. The Treasurer has also interrupted access to online payments without notice or stating a reason, and numerous other errors have been a source of problems for the timely updating of customer accounts. On at least one occasion the Treasurer’s office stopped issuing receipts to our customers because the office ran out of paper. Based on several months of experience, we have concluded that the flow of payment information must be changed to assure the integrity of the system.

The most appropriate approach to address this issue is to contract with a commercial bank on Guam to receive all payments on behalf of the SWMD and deposit the funds directly to the SWMD’s bank account. The bank would also be designated to receive mailed customer payments. The bank would transmit information about the payments to the SWMD and the Department of Administration on a daily basis. The transmission of the needed information should be in an electronic format suitable for directly updating the customer’s account and include an electronic image of the payment coupon. An electronic file to update customers who pay through GuamPay, either directly from GuamPay or through the selected bank, should also be developed.

We ask that the Court approve this change in processing customer bills and direct all parties, including private contractors of the Government of Guam who are needed to effect this change, to cooperate fully with the Receiver as we work to make this improvement to the billing system.

3. *Delinquent Customers*

The vast majority of customers of the Solid Waste Management Division pay their bills on time and in full. There are, however, a significant number who are delinquent in paying their bills. Based on our analysis to date, we believe the number currently delinquent to be around 14 percent of total residential customers, or about 2,600 customers. There are another 900 nearing delinquency, bringing the total to around 18 percent of total customers, or about 3,500.

When the Receivership began, one of the most serious problems faced by the SWMD was the lack of accountability in the payment system. In fairness to paying customers and to assure the financial viability of the solid waste system, these delinquencies cannot be allowed to continue. While there is no way to fairly collect balances owed by residential customers prior to the implementation of the new system, customers should be strictly accountable for any unpaid balances since January of this year, when the new system for billing began operating.

To assure that this accountability is achieved, we ask that the Court approve, on an interim basis pending a full rate review and approval by the Public Utilities Commission, the following policy with respect to delinquent customers:

Delinquent bills, discontinuance of service, service charges - After thirty (30) days from the billing date, any unpaid balance shall be considered late and shall result in a reminder call to the customer from the Customer Service Section of the SWMD. Any unpaid balance after sixty (60) days shall be considered delinquent and shall result in a letter notifying the customer that service will be discontinued unless the account is paid in full within thirty (30) days of the date on the letter. If the account is not paid in full within thirty (30) days of the date of the letter, service shall be terminated. The customer's trash cart(s) shall be recovered from the customer.

Restoration of service following collection of the account - Whenever any delinquent customer, whose service has been discontinued, pays the sum due plus pre-payment of an additional month of service and a fee of \$50 to defer the cost of restoring their service, service shall be restored.

Restoration of service following collection of the account by a collection agency - Whenever any delinquent customer, whose service has been discontinued and the account has been turned over to a collection agency, pays the total sum due plus service for an additional month and a fee of \$100 to defer the cost of restoring their service, service shall be restored.

Un-recovered or un-repairable carts – If for any reason the cart of a delinquent customer is not recoverable or is damaged beyond repair, the customer shall be responsible for the cost of a new cart before service may be restored. This cost shall be in addition to the fees outlined above.

Liability of the customer for payment of all unpaid bills and for any lost or damaged carts remains the responsibility of the customer even if service is not restored. Delinquent customers shall also be responsible for any reasonable collection costs incurred by the SWMD.

While it will take several months to fully implement this policy, we believe it is necessary and fair to all concerned, and we ask for the Court’s approval.

4. Capital Funding Requirements

Capital funding requirements have not changed in total since our April Quarterly Report to the Court. We continue to estimate savings in the cost of the Layon Landfill of approximately \$21 million, with additional savings possible as these projects are completed.

Table 15 provides an update to the revised estimates we provided in our Quarterly Report of April 8, 2010. The only changes since April are the changes in the total contract amounts based on change orders actually approved and the addition of the amounts actually expensed for equipment to date.

Table 15

Layon Landfill and Related Consent Decree Projects						
As of June 30, 2010						
Capital Budget Item	Approved Budget	Actual Contract Amount	Revised Budget		Savings	
			Reserve for Change Orders	Revised Estimate		
Layon Landfill	\$ 81,022,300	\$ 58,930,596	\$ 3,980,443	\$62,911,039	\$18,111,261	
Construction Management - Layon	\$ 7,316,400	\$ 3,875,284	\$ 1,550,114	\$ 5,425,398	\$ 1,891,002	
WWTP Expansion & Leachate Sewer and Pre-Treatment - Layon	\$ 11,025,000			\$11,025,000	\$ -	
Landfill Equipment	\$ 6,380,000			\$ 5,217,415	\$ 1,162,585	
Transfer Station/HHWF	\$ 5,505,000			\$ 5,505,000	\$ -	
Transfer Station Equipment	\$ 2,440,000			\$ 2,405,000	\$ 35,000	
Operating Equipment*	\$ 5,941,400	\$ 2,199,297		\$ 5,941,400	\$ -	
Total New Construction/Equipment	\$ 119,630,100	\$ 65,005,177	\$ 5,530,557	\$98,430,252	\$21,199,848	

*Actual contract amounts are equipment purchases completed as of June 30, 2010.

There are two areas where additional capital savings may occur: the Commercial Transfer Station and the funding required for improvements to the Waste Water Treatment Plant receiving the leachate from the Layon Landfill and pre-treatment of the leachate.

With respect to the need for a Commercial Transfer Station to consolidate waste for transport to the Layon Landfill, we have become aware of the existence of such a transfer station already available in Guam. As noted earlier in this Report, we have issued a Request for Expressions of Interest for a contractor to provide this service as an alternative to constructing a new Commercial Transfer Station.

This has the potential to save significant capital funding if a satisfactory agreement can be implemented with a qualified contractor.

Savings are also possible in the capital cost for handling leachate from the Layon Landfill. Work is currently underway to complete the designs for improvements to the Waste Water Treatment Plant. The cost of the improvements that are initially needed will likely be lower than the capital budget amount for this work. Our agreement with the Guam Waterworks Authority also calls for additional improvements to be designed that can be quickly placed under construction if future monitoring of the results from the treatment of the leachate indicates that the additional improvements will be needed. We will be recommending that the capital funding needed to actually construct the additional improvements be placed in escrow to assure the availability of the needed capital funding should it be required. We expect to finalize the estimates of the funds needed for both the initial improvements and the additional improvements before the end of 2010.

Any discussion of savings must also include the caution that the estimates of the cost to fund the closure of the Ordot Dump remain preliminary and subject to change as the plan to accomplish the final closure is developed and approved. In addition, as we have also noted previously, funds will be required to establish a reserve for post-closure care for the Ordot Dump. The amount of the needed reserve will be determined as a part of the work to complete the closure design for the Ordot Dump. The savings outlined above should be reserved to assure adequate funding for needed change orders and as a contingency for the closure of the Ordot Dump.

5. Status of the Citibank Trustee Accounts

Payments from the Citibank Trustee Accounts exceeded \$10 million during the quarter ended June 30. Tabs 6 and 7 include all of the transactions that have occurred in the primary account and the construction sub-account, respectively, since our last Quarterly Report to the Court, which covered the period from inception of the accounts through March 31, 2010.

The primary account, utilized to pay expenses of the Receivership that cannot be charged to the construction sub-account or paid directly by the Government of Guam, paid expenses of \$134,214.58 during the quarter ending June 30, 2010. The account earned \$14,415.55 in interest during the period and had a balance of \$3,787,021.92 on June 30, 2010. The construction sub-account paid expenses of \$10,076,089.65 during the quarter ended June 30, 2010. As noted in our April 8, 2010 Quarterly Report, the balance in the construction sub-account went below \$10 million on March 31, 2010, triggering a requisition to replenish the account from the Bank of Guam's bond construction account. The requisition to replenish the account was in accordance with the Government of Guam's Bond Indenture for the Government of Guam Limited Obligation (Section 30) Bonds, Series 2009A, and the amended disbursement procedures approved by the Court. We are pleased to report to the Court that the Government of Guam replenished the account with a deposit of \$11,616,263.70 on April 12, 2010. The account also earned interest during the quarter in the amount of \$53,591.84.

Table 16 provides the Court with an accounting of the retainage being held for vendors paid from the Citibank Trustee Account.

Table 16

Retainage on Trustee Account Payments		
<i>As of 6/30/2010</i>		
Company	Description	Amount
Black Construction Corporation	Retainage	\$ 815,530.53
Core Tech International Corporation	Retainage	\$ 350,064.02
EA Science and Technology		\$ 4,461.43
Maeda Pacific Corporation	Retainage	\$ 502,262.29
Shaw Environmental, Inc.		\$ 137.07
TG Engineers, PC	Retainage	\$ 7,181.88
Winzler & Kelly		\$ 99,598.45
Total Retainage Held.....		\$ 1,779,235.67

When the retainage obligations are considered, on June 30, 2010, the construction sub-account had a balance of \$9,188,002.79 available for future Consent Decree obligations. It should, however, be noted that the Government of Guam again replenished the account in early July as requested by the Receiver. We are very appreciative of the Department of Administration’s timely action on our requests to replenish the construction sub-account.

6. Status of Clean-up of DPW Compound

In January of this year and again in April, the Court ordered the Department of Public Works (DPW) to remove tires, junk vehicles and hundreds of drums of a tar-like substance from the DPW Compound. These materials pose a health hazard to the employees and customers of the SWMD and indeed, to all of DPW. As of the date of this Report, there has been some progress on the clean up but it remains a work in progress. While junk vehicles and tires have been removed from the immediate vicinity of the SWMD, they remain on the DPW compound. A contract has been awarded to remove the drums and waste spilling from the drums, but work is in the very early stages and, under the contract, may take up to 120 days.

As directed by the Court, the Receiver has provided the funding for the contract for the removal of the drums. On July 16, 2010, DPW awarded a contract totaling \$584,700 to Gresco Environmental for removal of the drums. The Receiver has made the initial payment of \$175,410, and we anticipate making the remaining payments during the next 120 days. These payments are being made from the Citibank Primary Trust Account. As ordered by the Court, we anticipate that this account will be reimbursed by DPW for these expenditures during October of this year.

7. Status of the USDA Loan/Grant

Governor Camacho has decided to decline the USDA Loan. The reasons for his decision are not related to the Court or the Receiver, but instead to the Governor’s concerns about the Government of Guam’s

overall financial condition and the potential negative financial results that may occur if the Section 30-backed bonds were reallocated to other projects that may not produce sufficient revenue to pay the debt service. However, during the period ending June 30, 2010, the Receiver continued to assist the Government of Guam and the U.S. Department of Agriculture (USDA) in this matter, when requested by the Government and USDA. While some progress was made on a number of the issues we raised in past reports, we did not receive any formal responses to these issues. Neither were we provided with formal closing documents for review or an amortization schedule for the loan.

An important consideration in connection with the potential USDA financing has been the USDA requirement that the project's contracts be amended to address the requirements of "Buy American" and "Davis-Bacon." While much work has been done on these important issues and amendments were drafted by the Office of the Attorney General and circulated to the contractors for review, to the best of our knowledge, the draft amendments had not been approved by USDA. While we respect the Government's decision in this matter, as the Court has directed, we will continue to be available to assist the Government of Guam and USDA in any manner that will be helpful, should there be any future need for such assistance.

8. Update on Rate Recommendations to the Public Utilities Commission

In preparation for filing with the Guam Public Utilities Commission in September, we provided the Court with preliminary rate calculations in our April 2010 Quarterly Report. As we approach the September filing, we have updated the preliminary rates. This update reflects new information and additional data that have become available since our April Report. These include:

- Updated scale data on the amount of waste being disposed of at the Ordot Dump;
- Confirmation from GEDA that the grant portion of the USDA loan/grant will not materialize since overall savings in the projects is greater than the grant. Our previous assumption had been that the grant would be prorated based on the savings;
- Confirmation from GEDA that the Government of Guam's required contribution under the USDA loan/grant is fixed at \$39,874,646 and will not decline proportionally to the USDA assistance as project savings reduce the overall cost of the Consent Decree Projects;
- An allocation has been added to the reserve for closure cost for a landfill gas collection system; and
- Updated information concerning the anticipated cost for the commercial transfer station.

Table 17 outlines the updated rates based on the information noted above:

Table 17

Preliminary Rate Comparison (Updated 8-11-2010)				
Customer Type	100% Bond Financing (2009A Section 30)		USDA and Bond Financing (2009A Section 30)	
	Without Military	With Military	Without Military	With Military
Commercial (per ton)	\$177.00	\$142.00	\$164.00	\$131.00
Residential (per month)	\$32.00	\$27.00	\$30.00	\$25.00

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

A more detailed summary of the factors required to produce the commercial and residential rates outlined above are included in Tabs 8 and 9 of this Report. We will continue to refine these estimates as we further develop the rate model for presentation to the Public Utilities Commission during September, as ordered by the Court.

It should also be noted that on July 1, 2010, the third and final phase of the commercial interim rate increase was implemented. This increased the commercial customer rate to \$156 per ton, as approved by the Court. Also on July 1, 2010, the first phase of the interim rate increase for residential customers was implemented. Table 18 shows the interim rate implemented on July 1, 2010, and the dates and amounts of future interim rate increases for residential customers.

Table 18

Interim Residential Collection Fees		
Effective Date	Rate/month	
July 1, 2010	\$	17.00
January 1, 2011	\$	24.00
July 1, 2011	\$	30.00

9. Bridges and Roadway Repairs and Replacements

The foregoing discussion of rates is dependent, to an extent, on DPW meeting the time frames it has represented to the Court and the Receiver for repairs and replacements to bridges and roadways required to efficiently and safely transport waste to the Layon Landfill.

On June 7, 2010, the Receiver filed a Special Report expressing our concern about the timely completion of these projects, based on several changes in the schedule reported to the Court since the April hearing. As we requested, the Court ordered more frequent reporting on these critical projects and that

reporting has resulted in a clearer understanding of the status of these projects. The current schedules for these projects, as described by DPW in its most recent reports, are extremely tight given the planned opening of the Layon Landfill in mid-2011.

In addition, the DPW report outlines two issues that may detrimentally affect the schedule. The first is the relocation of endangered snails to a new habitat. While this issue is important, it has been the subject of extensive work, as reported to the Court, and it appears that the issue should be resolved without affecting the most recent construction schedules submitted to the Court.

The second issue that may detrimentally affect the revised schedule, according to DPW, is the “high probability of unearthing archaeological findings during construction.” The report further states that if this occurs, “significant construction delays will occur.”

We understand that if such artifacts are unearthed during construction, they will have to be handled in accordance with federal and local laws; however, it is possible to plan for this eventuality and thereby minimize any delays. Indeed, the same issue confronts the Receiver in the construction we are overseeing. To mitigate this risk, we have put into place contract arrangements that enable the required expertise to be mobilized quickly to properly address these issues. We ask that the Court direct DPW to put the necessary contractual arrangements in place that will minimize any delays that may result from any such artifacts that are unearthed during construction.

10. Volume of Waste

Operations of the new scale system began on June 1, 2009, more than one year ago. As the Court will recall, a full year of data has been identified as a significant milestone for both rate setting purposes and other future planning. Table 19 summarizes the waste measured during the first year of the scale system’s operation.

Table 19

Actual Solid Waste Delivered to the Ordot Dump		
June 1, 2009 through May 29, 2010		
Customer Type	Tons	Percent
Commercial Customers	52,220	65%
Residential Customers	19,412	24%
Transfer Stations	5,114	6%
Mayors	1,392	2%
Government of Guam	2,362	3%
Total	80,501	100%

Detailed data on each week’s waste delivery to the Ordot Dump are included in this Report as Tab 10.

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

Since the April 8, 2010 Report, the Receiver has met with representatives from both the Governor's Office and the Military. On July 20, 2010, we received comments and suggested changes to the draft agreement from the Office of the Attorney General. We will continue to work with all of the parties to achieve a long-term agreement, and we will keep the Court informed.

7. Next Steps

Layon Landfill Construction, Construction Management, Design, and Permitting

- Continue to provide project management and construction management oversight of the Layon Landfill and Access Road construction;
- Advance the Inarajan WWTP monitoring and design;
- Continue to manage and provide Groundwater Monitoring Plan monthly sampling and reporting; and
- Advance the Ordot Dump Request for Proposals for the redesign of the closure plan and cap.

Operations

- Continue to refine the billing system for SWMD customers, tightening checks and balances on billing and implementing stronger internal auditing processes;
- Continue planning for a pilot curbside recycling program; and
- Continue planning for the collection program for metallic and bulk waste, including procuring trucks and planning staffing allocation.

Financial

- Carefully manage the Citibank Trustee Accounts and keep all parties informed;
- Continue to carefully monitor expenditures and revenue collections;
- Carefully monitor the volume of waste and update rate information accordingly;
- Manage the contracts required to complete the Consent Decree projects;
- Continue implementation of the interim rates approved by the Court;
- Implement policies to assure that delinquent accounts are paid in full or service is terminated;

- Monitor the clean-up of the DPW Compound, manage payments to the contractor and seek reimbursement as ordered by the Court;
- Submit a formal rate request to the Public Utilities Commission;
- Continue to advance the long-term agreement with the Military; and
- Advance procurement activity for the services of a Commercial Transfer Station, an Operator of the Layon Landfill, and for closure of the Ordot Dump.