



April 30, 2014

Mr. Arthur Clark  
Chief Policy Advisor  
Office of the Governor of Guam  
Ricardo J. Bordallo Governor's Complex  
Adelup, Guam 96910

Dear Mr. Clark:

I want to thank you, Ms. Miller and Mr. Mantanona for meeting with Ms. Tang and me. While I had hoped to meet with the Lt. Governor as well, we appreciate the time you gave to us and hope the meeting was useful from your perspective.

It continues to be the position of the Receiver that no increase in the fees charged by GSWA is needed to allow GSWA to continue to operate efficiently and achieve full compliance with the Consent Decree. To pay for the additional projects required by the Government in connection with the Consent Decree Projects without any additional financing, however, we will be required to use GSWA funds that are currently used to reimburse GovGuam's General Fund for debt service. In order to mitigate the effect of using these funds to pay for the additional projects, the Government of Guam may wish to consider alternatives that have the potential to allow some or all of the debt service reimbursement payment we are now making to the general fund on behalf of GSWA to continue.

In yesterday's meeting the following alternatives were discussed:

1. A small rate increase in the fees charged GSWA customers to assist in financing;
2. Reordering priorities to allow DPW to pay directly for the improvements to Dero Road and the safety enhancements for Route 4 instead of funding these projects through the Consent Decree;
3. In conjunction with the above suggestions, secure a bank loan to finance the upgrades required for the residential transfer stations;
4. In lieu of the above, consider a bond issue for the additional funding needed to pay for all of the additional projects and the obligations of the Government to the former landowners of the land acquired by the Government for the Layon Landfill; and
5. In lieu of all of the above options, finance all of the additional projects along with refinancing all of the previously financed Consent Decree Projects through a revenue bond, as the Receiver originally recommended, with the rates adjusted to reflect the full cost of the system, less any general fund subsidy the Government chooses to include.

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If no alternative method of funding the additional projects is provided, we will be required to use the funds available to the Receiver currently used to reimburse the general fund for debt service. This approach to funding these projects will extend the Receivership by the amount of time it will take to accumulate the needed funds, but will ultimately be sufficient to pay for the additional project requirements of the Consent Decree.

Decisions with respect to the alternatives we discussed or other alternatives you may wish to consider are for the elected leaders of Guam to decide. However, as we have consistently indicated, we will work with the Government to implement any reasonable decision made by its elected leaders that allows the Receiver to complete its work in securing full implementation of the Consent Decree.

As indicated in my letter to the Lt. Governor, there must be a commitment to making meaningful progress to provide funds for the additional projects or we will begin withholding the debt service reimbursement to the general fund beginning with the payment due May 5, 2014. In order to avoid any disruption in these payments we need a written commitment that the Government will pursue one of these options or other alternatives that you may suggest which will assure the timely availability of the funding needed for the additional projects, before the close of business on May 5, 2014.

We are available to meet at your convenience should you decide to pursue an alternative approach to financing these projects. We look forward to hearing from you.

Sincerely,

A handwritten signature in brown ink that reads "David L. Manning". The signature is written in a cursive style with a large, looping "M" at the end.

David L. Manning  
Receiver Representative

c.c. Ms Sandra Miller  
Mr. Rawlen M.T. Mantanona  
Ms. Joyce Tang