

INSTALLATION MISSION GROWTH

Community Profile

November 2009

U.S. Territory of Guam

U.S. Territory

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Community at a Glance

Growth Management Organization (GMO):

The Civilian Military Task Force

Geographic area affected by military installation growth:

Territory of Guam

Regional Population of affected area:

173,480 (2008)

Top growth challenges:

- Port Capacity
- Landfill Capacity
- Transportation Capacity
- Housing Capacity
- Government Services Capacity
- Health and Social Services Capacity

Outstanding requirements in support of mission growth:

| Project category | Funding ROM |
|--|-------------|
| Port Improvements | \$195 M |
| Power & Water | \$164 M |
| Guam Hospital / Health & Social Services | \$135 M |
| Transportation | \$120 M |
| Gov't Services (Customs, Agriculture, Judiciary) | \$31 M |
| University of Guam | \$24 M |
| Totals: | \$669 M |

Mission Growth at a Glance

Growth Action:

BRAC, GTA/GTF, GDPR, Guam Integrated Military Development Plan (GIMDP)

Personnel Baseline and Growth Projection:

| | Baseline (2005) | Build-out Projection (2015) |
|--------------------|--------------------|--------------------------------|
| Military Personnel | 6,450 | 15,685 |
| Dependents | 7,740 | 19,320 |

Source: Guam Integrated Military Development Plan, 2006

Growth Factors affecting community planning: Permanent party military and dependents, large transient personnel population and large construction labor pool.

Background



Context

Guam, a United States Territory, is the largest and most southern Mariana Island, covering an area slightly more than 200 square miles. The island is comprised of a northern, coralline limestone plateau and a southern mountainous area of volcanic origin. Guam is situated about 1,400 miles east of the Philippines and over 6,000 to the west of the U.S. mainland. It is approximately 30 miles in length and varies from approximately four to eight miles in width. The combined civilian and military population of the island was 173,480 persons in 2008.

Generally, the current near-term economic outlook shows the continuation of the growth experienced over the past several years. This growth will be generated by increased construction for the impending military buildup, but its impact will ultimately be determined by its timing and pace of that buildup. Even though the island has a strong tourism industry and is a regional economic hub due to its strategic location, its developed infrastructure, and its modern telecommunications, the existing and enhanced military presence on the island will be the most important source of its economic growth and sustainability. The military expansion will result in a larger and more multi-dimensional U.S. military presence in the Pacific, with Guam as the so-called “tip of the spear.” The centerpiece will be the transfer of components from the Third Marine Expeditionary Force from Okinawa, Japan to the Territory of Guam, but will also be augmented with several other military components that will benefit from the island’s strategic location.

In an effort to improve the U.S. military’s flexibility to address conventional and terrorist threats worldwide, the Department of Defense (DoD) plans to relocate more than 8,000 Marines and an estimated 9,000 dependents from Okinawa, Japan, to Guam. It will also expand other U.S. force capabilities on the island at an estimated cost of more than \$13 billion. Guam is an integral part of DoD’s logistical support system and serves as an important forward operational hub for a mix of military mission requirements. According to DoD, Guam provides strategic flexibility, freedom of action, and prompt global action for the Global War on Terrorism, peace and wartime engagement, and crisis response. DoD plans to begin construction on Guam during fiscal year 2010 in order to meet the desired buildup deadline indicated in the agreement reached by the U.S. –Japan Security Consultative Committee on October 29, 2005. As a result of military buildup, Guam’s current population of 173,480 will increase by an estimated 35,000 active duty military personnel and dependents to over 208,000 (an increase of over 20 percent). In addition, the realignment will require additional workers to move to the island, including non-defense personnel, DoD contractors, transient military personnel, and temporary foreign construction workers. As such, the U.S. military realignment and buildup will substantially impact Guam’s community and infrastructure.

DoD Action

The largest portion of the military's population growth is related to the relocation of about 8,000 Marines and their 9,000 dependents from Okinawa, Japan, to Guam as part of an initiative between the United States and the Government of Japan to reduce forces in Japan while maintaining a continuing presence of U.S. forces in the region. The populations of each of the other military services would also increase as a result of DoD plans to expand their operations and presence on Guam.

To keep pace with the projected growth in the military's population on Guam, DoD has determined that substantial upgrades to the island's existing utilities infrastructure are required for electric power generation, potable water production, wastewater collection and treatment, and solid waste collection and disposal to provide the additional utility capacities and services. The Navy's Joint Guam Program Office, which is leading the planning efforts among DoD components and other stakeholders to consolidate, optimize, and integrate the existing DoD infrastructure on Guam associated with buildup, in cooperation with the Naval Facilities Engineering Command, conducted a number of technical studies and business case analyses to evaluate potential solutions for meeting the increased demand for utility services. In addition, DoD is awaiting completion of its environmental impact statement study and associated record of decision before making final decisions on the long-term solutions and its implementation approach for developing the new utility services. These solutions will be developed and possibly implemented by special purpose entity or entities, which will provide the technical expertise in constructing and operation of the utilities. The use of special purpose entity is unique to the Guam military build-up program and is associated with the funding being provided by the Government of Japan. According to the Joint Guam Program Office, DoD plans to complete new utility construction on Guam and be operational by November 2014.



Community Response

Given the magnitude and complexity of the military build-up program, the Office of the Governor, with the assistance of the DOD Office of Economic Adjustment (OEA), has pursued a response strategy that is incremental (phased and paced) given the dynamic nature of the DoD program. To ensure the Government of Guam is responsive, the Office of the Governor has utilized the use of two Indefinite Delivery Indefinite Quantity (IDIQ) Contracts: 1) Advisory Services Contract and 2) Port Owner Agent Engineer Contract. These two initiatives ensure the Government of Guam has the capacity and expertise to be responsive to the evolving DoD requirements, impacts, and challenges.

The Advisory Consulting Team (ACT) is working with the Office of the Governor of Guam in supporting the sustainment of Guam while achieving the goals of the military buildup program. The ACT is committed to:

- Developing baseline data to establish the existing capacity of the Government of Guam's departments and agencies and their ability to provide services in the Territory of Guam;
- Conduct analysis to determine the true impact of the military buildup;
- Develop plans and programs designed to help Guam proactively respond to the military buildup; and



- Strengthen the symbiotic relationship between the Department of Defense, other federal agencies, and the Territory of Guam in support of an increased military defense posture while minimizing or mitigating the socio-economic impact on the people of Guam.

Studies, Analysis and Activities Under the ACT

The ACT is assisting the Governor of Guam in facilitating the plans, policies, and responsibilities associated with this effort. The following task orders have been identified to ensure successful integration of the military's growth initiatives on Guam.

Under Contract:

Task Order #1: Environmental Advisory Services. Provide technical consultation to the Governor on environmental issues identified in the Environmental Impact Statement (EIS) currently being prepared by the Navy. The ACT will assist the Office of the Governor on conducting public workshops to increase the citizens of Guam awareness and understanding about the relevance of the Navy's EIS.

Task Order #2: Fiscal Advisory Services. Conduct financial analysis of GovGuam's ability to effectively provide government services, programs, and facilities for the people of Guam; determine fiscal impact of the build-up Guam; develop strategies to address buildup-related budget shortfalls.

Task Order #3: Planning Advisory Services. Establish baseline data and identify compatibility issues relevant to the military and changes proposed as part of the buildup program; review the military's development plans with respect to compatible land uses; and develop strategies to balance economic potential and military sustainment.

Task Order #4: Revenue Stream Analysis. Perform independent and objective analysis to quantify the Section 30 Federal income tax revenues generated by the military build-up program; perform analysis of GovGuam's historical and projected budgets, revenues and cash flows.

Task Order #5: Joint Macro Fiscal Impact Analysis. Development of an initial assessment of direct and indirect fiscal impact assessments of the military buildup on Guam.

Pending:

Task Order #6: Guam Government Capacity-Enhancing Building. Development of processes and recommendations to ensure timely and professional deliverance of effective and efficient government services and operations.

Task Order #7- Five Year Health Plan. Evaluate the existing health care systems; develop methods of measuring capabilities; and develop a strategic plan to guide the development of a responsive health care system on Guam.

Port Improvement Program



An integral component of the military build-up is the modernization of Guam's 40-year old commercial port. Without major improvements to its existing infrastructure, the Port of Guam does not have the capacity to support the projected \$10.3 billion U.S./Japan Defense Posture Realignment Initiative (DPRI) program.

The Port Owner Agent Engineer (OAE) Team is working for the Port Authority of Guam to develop port improvements necessary to serve the needs of the citizens of Guam and to respond to the needs of the military buildup in a timely manner.

Under Contract:

Port Fact Finding. Conduct a series of investigations and studies necessary to explore and evaluate viable port development solutions, which are integrated and compatible with the current site and environmental, financial, and operational constraints. Studies include: aquatic and terrestrial ecology surveys; hydrographic and topographic surveys; and geotechnical borings.

Port Modernization Implementation Plan. Focus on steps required to transition from Master Planning to actual Port improvement. Incorporates the findings and outputs from the Financial Feasibility Study, the port fact finding, and other actions. Elements of the plan include but are not limited to: demolition and site preparation; berth modernization; facilities; pavement; utilities; security; container cranes; cargo handling equipment; terminal operating systems; truck and vehicle entrance gates; ancillary support facilities (Customs, USDA, etc.); and access roads and traffic controls.

Performance Management Contract (PMC) Service Provider Benchmarks and Consultations for Evaluation Selection Task Order. Develop demand criteria to assist the Port Authority of Guam (PAG) to solicit a PMC service provider to train its workforce and introduce modern, more efficient technologies and terminal operation practices used by modern port facilities around the world.

Documentation for Legislative Approval of Master Plan. Assist the PAG in the preparation of the necessary documentation to obtain final Guam Legislature approval of the Port Master Plan.

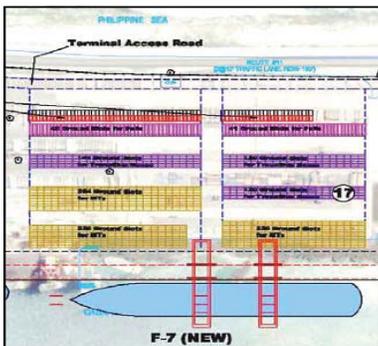
Performance and Technical Requirement Truck Gate and Terminal Operation Systems. Develop truck gate and terminal operating systems demand criteria as part of the terminal development, terminal alternative analysis, and terminal operations planning. This study will be used to project peak and cyclical demands for analyzing gate and system requirements.

Terminal Development, Terminal Alternative Analysis and Operations Planning. Review all available information related to terminal operations and design for the port modernization program. Data will be collected in order to forecast peak and cyclical demands on terminal operations and respective terminal facilities. Capacity analysis shall be conducted for the following; ship service; berth capacity; container and break bulk storage; and truck gate design. Based on the outcomes of the analysis, build-out alternatives will be provided to PAG for refinement of a selected terminal build-out plan.

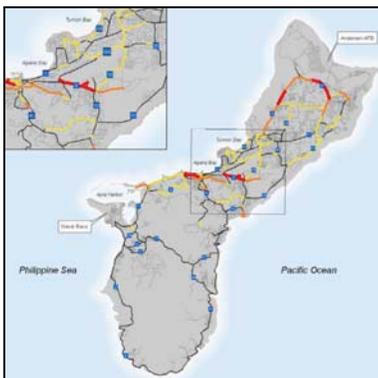
Implementation and Partnering Strategies

Turning Challenges into Opportunities

Many of the challenges, associated with the military buildup that the Government of Guam is facing are the issues which the U.S. is currently addressing through the new administration initiatives. This parallel provides the platform to address and solve the military buildup challenges by using the creative approaches and technical advances that are embedded in the US initiatives. The areas where we have the chance to turn a challenge into an opportunity through this approach include the following:



Homeland Security Opportunities - Due to the United States military expansion program, there are significant short-to-medium term port capacity requirements. To achieve the strategic goals of the Port Authority and meet the future demand requirements necessary for the Port, additional financial resource planning, skilled labor and construction management will be needed.



Mass Transit Opportunities – The Haul Road Network (HRN) is critically needed to accommodate the heavy military truck and constructions traffic anticipated when the United States 3rd Marine Corps Expeditionary Forces Air Combat Element, Command Element, Ground Combat Element, and Command Service Element will relocate from Japan to Guam. The HRN Program involves improving the routes to be used by the military for primary heavy vehicle traffic. This series of priority roads for the military connects such key locations as the Port of Guam, Smith Rock Quarry, Anderson Air Force Base, and the NCTS Finegayan and South Finegayan Sites.



Alternative Energy Opportunities – Power: The existing system is aging and inefficient and impacts water quality and community health. There are two existing grids that provide power on the island. Providing one integrated grid will be more economical and sustainable.

Water: Military build up will significantly increase the demand for water in both the short- and long-term. This will not only impact water quantity demands, but will also impact infrastructure systems for the treatment and distribution of water. Key to Guam is also protection of the aquifer. Located on the north end of the Island, Guam's aquifer provides over 90 percent of the potable water on the Island and must be protected. Additional study is needed to ensure the sustainability of this unique, and irreplaceable asset.

Wastewater: Like the water system, investment will be needed to enhance the capacity and collection infrastructure on the Island. In addition, treatment levels at existing plants must also be addressed to comply with regulatory mandates. The primary treatment facilities on the Guam (both public and military) need to look to upgrading to secondary treatment. In addition to treatment levels and overall capacity, Guam must also address old and inefficient infrastructure systems. The buildup will require DOD integration.



Health Care: The Island is served by two hospitals: Guam Memorial for the Public and U.S. Naval Hospital Guam for the military personnel, dependents and veterans. Guam Memorial is the major health facility in Guam and Micronesia and is currently working towards accreditation. But the hospital has challenges in meeting health care needs, including capacity issues (Guam Memorial Hospital has 192 beds and typically operates a 100% capacity). The health care system is also significantly tied to the Public Health Clinics on Guam. These facilities are in need of upgrades in order to meet current and future health care demands. At all levels of health care, a shortage of trained medical professionals is a constraint on the islands medical system. Expansion of Guam Memorial Hospital, upgrades to the Public Health Clinics and augmentation of

trained medical personnel is needed to meet today's medical service demands.



Improved Education: Projecting 6-9 new schools to be constructed to handle the additional students: 4-5 elementary, 1-2 middle, and 1-2 high school. This is a very macro analysis and needs more assessment to refine actual numbers. This can be a benchmark of information.



New Job Opportunities: Relative to job growth, to meet the demands of construction associated with the military build up, 15,000 to 20,000 construction workers will be needed at the peak, prompting a large influx of H-2B workers. The existing labor base on Guam does not have the requisite skills or capacity to meet this need. Enhanced efforts are needed to ensure the Guam labor force has available to it the training needed to take advantage of new employment opportunities, thus enhancing Guam's long-term economic base and reducing impacts associated with an imported labor pool.

Tax Generation: As part of the military buildup, Guam will see a significant increase in its workforce and expenditures on equipment, supplies and materials.

Along with these increases are also increases in costs to Guam associated with capital improvements, administration, public services and so forth. It is critical that appropriate taxes from entities working on Guam are reflected in increased tax revenues to Guam.

Housing: The military buildup will bring with it a large immigrant workforce in order to meet the short-term labor requirements of the buildup. As part of this labor increase, housing will be needed to support workers. An

opportunity to be realized here is to construct housing not only for short-term workers, but to provide worker housing that can be used by the residents of Guam long-term to meet local housing needs.



Renewable Energy Opportunities: Both the military and civilian solid waste operators face significant capacity and environmental challenges as Guam's solid waste facilities reach the end of their useful life. The main solid waste facility on the Island (the Ordot Landfill) is subject to a Federal Consent Decree to close it (following the Government of Guam being sued) and a Solid Waste Law Review Commission is reviewing its status, including considering turning the Solid Waste Division (SWD) of the Department of Public Works (DPW) into a corporation. The two military dumps are also beyond their reasonable life.

Partnering

The success of the military buildup program is dependent on participation from the Government of Guam, the DoD, and a wide-range of federal agencies and other organizations working in the region. In addition, local partners, like the Guam Chamber of Commerce, Guam Contractors Association, and others will be critical in coordinating the implementation and response to the military buildup.

Successes/Lessons Learned

Funding. To address the impacts of the military build-up, Governor Camacho's administration has:

- Secured over \$450 million in bonds to address the new landfill, COLA, and other issues
- Secured \$100 million loan from USDA to fund the new landfill's development
- Secured additional funding to support Port Modernization Development plan
- Reduced General Fund deficit by about \$85 million in Fiscal Year 2008
- Application for TIGER grant totaling \$49.7 Million (announcement of awards expected no later than February 2010)
- Secured \$75 million in American Recovery and Reinvestment Act (ARRA) funds
- Secured \$48 million in Defense Authorization funds

Port Improvement Plan. An integral component of the military build-up is the modernization of Guam's 40-year old commercial port. With more than 8,000 Marines expected to be relocated to Guam over the next 4 years and more than \$10 billion slated for infrastructure and capital improvement projects, the island's only deep water harbor and port facilities is a critical lynchpin in the effort to successfully implement the United State's Defense Posture Realignment Initiative (DPRI) program.

Understanding the gravity and impact of this relocation, Governor Camacho has worked hard not only to cast a vision for the port but to secure funding for the development of a comprehensive Port Modernization Plan and the completion of a detailed Financial Feasibility Study. Both documents have outlined the Department of Defense's requirements for the military build-up and the long-term ability to meet the needs of Guam.

Successes in implementing the Port improvement program include:

Port Master Plan Approval. On September 11, 2009, Public Law 30-57 was passed granting final approval of Phase 1 of the Port Authority of Guam 2007 Master Plan Update. Passage of the Master Plan Update was also crucial in Port's submission of its application for \$50 Million in American Reinvestment Recovery Act Funds.

Port Submits ARRA Grant. On September 14, 2009, the Port Authority submitted its application for \$49.7 Million in ARRA Grants to kick start the first phase of the Port Modernization Program.

Strategic Port Designation. The Port Authority of Guam has achieved its designation as a U.S. Strategic Port. Recognizing PAG's critical role for Guam and the Mariana Islands and its strategic importance to National security, General McNabb issued this designation on September 18, 2009. The benefits of Strategic Port designation include: increased federal investment in the port district; improved access to federal security and port infrastructure funding; dramatically increased cargo volumes during periods of military deployment; and the establishment of an ongoing partnership between the seaport and the Department of Defense, resulting in the development of joint projects benefiting both the military and the commercial port.

Infrastructure Improvements. An initial success in Port improvements was an agreement to install and use three refurbished cranes from the Port of Los Angeles. The cranes were operational in April 2009. In addition to the new cranes, the Port has also awarded a \$3.9 million dollar contract for upgrades to the wharf, underwater sheetpile repairs, concrete bulkhead repairs and utilities. Construction began on March 22, 2009 and is scheduled for completion in November 2009.

Marina Renovations. The Port Authority of Guam in April of 2009 was given an Authorization to Proceed by the Department of Interior which is providing the \$1.8 Million in federal funding for the renovations and site improvements. The renovations will include the repair of 1,660 linear feet of deteriorated steel sheet pile bulkhead, placement of a concrete slab on the north side of the entrance channel, removal and replacement of steel ladders along the face of the piers, removal and replacement of steel pipes railings on the piers and stabilizing the surrounding areas.

Port Security Grant. The Port Authority of Guam in March 2009 received a Release of Funds notification for the FY 07 award which secured more than \$1.3 Million in federal grants to install new container yard lights at the commercial sea port and acquire trailer mounted portable fire pumps.

Landfill. Since 1986, the Ordot Landfill has been illegally discharging pollutants into the Lonfit River in violation of the Clean Water Act (CWA). Though past efforts have failed, Governor Felix Camacho has worked diligently to comply with consent decree requirement and in doing so, successfully raised over \$100 million in grant and federal loans to support the construction of a new sanitary landfill. This is an accomplishment achieved by no other Governor. Congresswoman Bordallo stated that "Improving our solid waste capacity and management is important for compliance with the court order for the closure of the Ordot landfill, and in meeting the needs associated with population growth and the military build-up. I congratulate Governor Camacho and his administration for securing this federal financial assistance". The new landfill site will be located at Dan Dan, Talafofo, commonly referred to as Layon. Construction on the operation road and mass grading on two cells have begun and is expected to be completed within the year. Governor Camacho remains fully committed to ensuring that Guam is well-positioned to support the impending military expansion.