

SOUTHEASTERN OAKLAND COUNTY RESOURCE RECOVERY AUTHORITY

QUARTERLY REPORT

VOL. XXXXIII

OCTOBER 2005

NO. 1

**BOARD OF TRUSTEES**

<b>Representative</b>	<b>Municipality</b>
J. Bais-DiSessa	City of Berkley
R. Spallasso	Village of Beverly Hills
T. M. Markus	City of Birmingham
H. Drinkwine	City of Clawson
B. A. Photiades	City of Ferndale
A. LeCureaux	City of Hazel Park
A. R. Allie	City of Huntington Woods
J. Mueller	City of Lathrup Village
M. L. McReynolds	City of Oak Park
S. W. Ball	City of Pleasant Ridge
G. Rassel	City of Royal Oak
B. P. Murphy	City of Troy

**OFFICERS**

Chairman:	A. LeCureaux
Vice Chairman:	M. L. McReynolds
Secretary:	B. P. Murphy
Advisory Committee:	A. LeCureaux A. R. Allie J. Bais-DiSessa B. P. Murphy

J. A. McKeen	General Manager
M. A. Czuprenski	Operations Director
J. Schandavel	Authority Engineer

Board of Trustees  
 Southeastern Oakland County Resource Recovery Authority

Subject: Quarterly Report - October 2005

Board Members:

Attached is a copy of the Southeastern Oakland County Resource Recovery Authority's Quarterly Report covering the first three months operation of the fiscal year 2005/2006. The report contains a financial statement of the Authority's operation and an outline of projects in progress or completed during the quarter. The report also contains statistical information and other information of general interest to the members of this Authority.

**BOARD OF TRUSTEES**

The governing body of the Authority is a Board of Trustees, consisting of one representative from each constituent municipality. The Board held its Organization Meeting on July 13, 2005, and members were elected to serve as Officers for the fiscal year, beginning July 2005.

Following is a list of the current officers:

Chairman: A. LeCureaux  
 Vice Chairman: M. L. McReynolds  
 Secretary: B. P. Murphy

Representatives on the Board are entitled to one vote for each 3,000 tons, or fraction thereof, of refuse delivered to the Authority during the preceding fiscal year. The number of votes of each constituent member for the fiscal year, beginning July 2005, is as follows:

<b>Municipality</b>	<b>Votes</b>
Berkley	4
Beverly Hills	3
Birmingham	6
Clawson	4
Ferndale	7
Hazel Park	4
Huntington Woods	2
Lathrup Village	1
Oak Park	6
Pleasant Ridge	1
Royal Oak	14
Troy	17
<b>Total:</b>	<b>69</b>

The Board meets in regular session once each month for the purpose of conducting all business coming before the Board.

The Authority is charged with the responsibility of disposing, recycling or composting all solid waste material delivered to designated locations by the member municipalities. The Authority has entered into contracts with the individual members for a period extending to July 1, 2007. Contingent contracts have also been entered into with each individual member for the period from July 1, 2007 to July 1, 2027. These contracts obligate the Authority to handle this material, charging rates sufficient to pay the operating costs and capital improvements.

### **FINANCIAL STATEMENT**

The total net income for the first 3 months of 2005/2006 was \$295,797.22, before depreciation.

	<u>Actual</u>	<u>Compared to Budget</u>
Revenue	\$1,924,096.41	- \$139,911.59
Expenses	\$1,628,299.19	- \$ 70,650.81
Net Income	\$ 295,797.22	- \$ 69,260.78

The decrease in revenue was due primarily to receiving lower than budgeted refuse from the member communities (-\$160,000) and sales of compost (-\$32,000), partially offset by increased refuse from non-members (+\$19,000), yard waste from the member communities (+\$19,000) and a larger number of household hazardous waste appointments (+\$14,000). While we recorded a significant softening in the prices we received for our recycled paper and metal, our total sales of recyclable material were only \$3,000 below budget. The sale of recycled material generated \$352,000, or 18% of our total revenue.

Expenses are below budget primarily due to lower than planned waste hauling and disposal expenses (-\$63,000), non-labor Administrative and General expenses (-\$63,000) and labor expenses (-\$16,000) partially offset by higher than planned maintenance expenses (+\$47,000) and utility expenses (+\$27,000). Additional financial detail is attached.

### **MAJOR PROJECTS**

#### **RATES TO MEMBERS**

The rates charged to member communities for disposal of Municipal Solid Waste were increased by \$1.00 per ton to \$35.50 per ton effective July 1, 2005. The primary reason for this change was an increase in the contractual cost paid to Waste Management for disposal services of \$0.69 per ton and an anticipated fuel surcharge of \$0.50 per ton due to high fuel prices. The credit to the member communities for sale of recyclable material was increased by \$5.00 per ton to \$30.00 per ton. Our budget projects a total credit of \$525,000 being paid to the member communities during the fiscal year for their recyclables.

## **CONVERSION OF MRF TO DUAL STREAM OPERATION**

The conversion of the MRF to dual stream operation took place during this quarter. Construction of this project began in early July and was completed in late September. In dual stream recycling, the materials are picked up curbside as two streams: paper and containers. Simplifying the curbside sort has the potential to reduce the costs paid by the member communities for the collection of recyclables. However, receiving dual stream required some significant changes to our operation at the MRF. During the construction, we continued to receive and process all of the incoming recyclable material by using the paper line to sort plastics on the afternoon and midnights shifts and most Saturdays. This enabled us to complete the construction without having an impact on our residents or the collection contractors and allowed us to maintain our revenue stream from the sale of recyclables.

Thus far, we are extremely happy with the performance of the new dual stream system. The new system has proved to be very flexible, which will be a great benefit as our recycling programs are sure to change in the coming years. During the next quarter, we will be training our employees on the new system, conducting the required performance testing, and fine tuning the operation of the system.

## **PLANNING FOR THE FUTURE**

Following the approval of the membership agreements between SOCRRA and each of the member communities in early 2005, we began to develop the Request for Proposals (RFP) for solid waste collection, processing and disposal services that was discussed in the membership agreements. The RFP was developed by a committee consisting of Claire Galed (Huntington Woods), Mike Mazzuckelli (Hazel Park), Byron Photiades (Ferndale), Tom Trice and Greg Rassel (Royal Oak), Tim Richnak (Troy), Bob Davis (General Counsel), Bob Brickner (consultant), Jim Frey (consultant), and Mike Czuprenski and I from the SOCRRA staff. The goal of this RFP process is to obtain contracts for solid waste services for SOCRRA and the member communities that meet the parameters established in the membership contract. The RFP was issued on June 1, 2005 with the responses due on September 19, 2005. Responses were received from seven vendors, with a wide variety of proposed options for collection, processing and disposal. The analysis and clarification of the proposals will take several months to complete. Our target is to bring a recommendation to the SOCRRA Board in December of 2005 with final contract(s) being approved by the Board in January of 2006. This schedule meets the parameters contained in the member agreements.

## **EXPANSION OF RECYCLING PROGRAMS**

We have begun an effort to expand our recycling programs in order to get more material processed by our MRF and to return more revenue to the member communities. Our initial focus is on establishing school recycling programs and making sure that the results of the RFP process position us to easily grow our recycling programs in the future. We have sent a letter to each of the schools in all of the SOCRRA communities offering to help establish a recycling program in each school. Most of the schools will be added to the curbside recycling program, with alternative arrangements being made for high schools, which are capable of generating large quantities of material.

## **AUDIT COMMITTEE**

The Audit Committee (Tom Markus, Jeff Mueller and Mark Liss) had their first meeting in late June of 2005. The meeting was also attended by Tom Darling, our Rehmann Robson auditor, and me. At this meeting, the Committee discussed the role of the Audit Committee, a Working Capital Policy for SOCRRA, the disposition of money released by Judge Mester in the Madison Heights v. SOCRRA case, accounting changes regarding Madison Heights and Royal Oak Twp. as a result of Judge Mester's rulings in the Madison Heights v. SOCRRA case, the 2004/05 Audit Process and a plan for the GASB rules on Other Postemployment Benefits (OPEB). The recommendations of the Committee were subsequently approved by the entire Board. As a result, a total of \$277,000 was refunded to the member communities in August of 2005. The Committee's primary purpose is to ensure the independence of the annual audit, but the Committee will also work with the Auditor to improve the communication of the results of the audit from the Auditor to the Board and will work with me on any accounting issues.

## **LABOR CONTRACT NEGOTIATIONS**

We had several negotiations with the Teamsters regarding their labor agreement, which expired on June 30, 2005. After having a tentative agreement rejected by the Union, we have reached a second agreement that has been approved by the Union. This agreement will be presented to the SOCRRA Board for approval in November of 2005. This agreement calls for significant changes to the health care insurance provided to our employees that will achieve significant savings for the Authority.

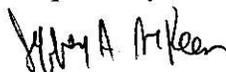
## **LANDFILL CLOSURE**

After several unsuccessful attempts at obtaining the requisite 4% grades over the entire surface of the landfill, we assigned the final closure grading to NTH at the end of this quarter. NTH has contracted with an earth moving company and all of the necessary grading should be completed in late October. The landfill will then need to be seeded and resurveyed before the final closure documentation can be submitted to the MDEQ.

## **MADISON HEIGHTS v. SOCRRA**

Madison Heights has appealed Judge Mester's decision on the interpretation of the settlement agreement in this case to the Court of Appeals. The most significant of these issues is regarding Madison Heights' continuing liability for environmental expenses incurred at any of SOCRRA's locations. In our response to their appeal, which focused on why the Court should not accept Madison Heights' appeal, we decided to remove one of the issues in the appeal by paying the "straddle costs" of \$660. This is Madison Heights' share of certain environmental costs that were incurred prior to July 1, 2004, but were not invoiced until after July 1, 2004. Judge Mester had ruled that Madison Heights should pay their share of these costs, but we decided to have a much cleaner response by focusing on the more important issues. It will probably take the Court of Appeals several months before they decide whether to accept this case.

Respectfully submitted,



Jeffrey A. McKeen, P.E.  
General Manager

SOUTHEASTERN OAKLAND COUNTY RESOURCE RECOVERY AUTHORITY  
STATEMENT OF INCOME JULY 1,2005 THROUGH SEPTEMBER 30,2005

<u>REVENUES</u>	<u>ESTIMATED</u>	<u>ACTUAL</u>	<u>VARIANCES</u>
<u>MUNICIPAL SOLID WASTE</u>			
MEMBERS	\$1,401,057.00	\$1,241,519.22	(\$159,537.78)
OTHERS	168,425.00	187,073.98	18,648.98
	<u>\$1,569,482.00</u>	<u>\$1,428,593.20</u>	<u>(\$140,888.80)</u>
<u>COMPOST</u>			
MEMBERS	\$148,624.00	\$167,015.77	\$18,391.77
OTHERS	6,480.00	8,918.12	2,438.12
	<u>\$155,104.00</u>	<u>\$175,933.89</u>	<u>\$20,829.89</u>
<u>RECYCLABLES</u>			
MEMBERS CREDIT	(\$120,888.00)	(\$119,867.91)	\$1,020.09
<u>OTHER INCOME</u>			
REVENUES - CARDBOARD	\$18,000.00	\$18,116.95	\$116.95
REVENUES - PLASTICS	51,600.00	69,827.38	18,227.38
REVENUES - SCRAP METAL	42,000.00	14,793.45	(27,206.55)
REVENUES - NEWSPAPERS	223,200.00	239,729.33	16,529.33
REVENUES - GLASS	3,600.00	4,119.84	519.84
REVENUES HOUSEHOLD WASTE	30,000.00	44,373.00	14,373.00
REVENUES - BATTERIES	0.00	355.00	355.00
REVENUES - TIN CANS	17,000.00	5,284.78	(11,715.22)
REVENUES - ALUMINUM	0.00	0.00	0.00
REVENUES-COMPOST	41,300.00	9,228.00	(32,072.00)
INTEREST ON INVESTMENTS	6,960.00	5,009.36	(1,950.64)
GRANT FUNDS	0.00	0.00	0.00
RENTAL INCOME	25,750.00	22,990.00	(2,760.00)
MISC. INCOME	900.00	5,610.14	4,710.14
	<u>\$460,310.00</u>	<u>\$439,437.23</u>	<u>(\$20,872.77)</u>
 TOTAL REVENUES	 <u>2,064,008.00</u>	 <u>1,924,096.41</u>	 <u>-139,911.59</u>

<u>EXPENSES</u>	<u>BUDGET APPROPRIATIONS</u>	<u>ACTUAL EXPENDITURES</u>	<u>VARIANCES</u>
MADISON HTS TRANS.OPERATION	418,064.00	421,321.63	3,257.63
BATTERY/HOUSEHOLD WASTE	34,159.00	51,580.69	17,421.69
TROY TS OPERATION	550,493.00	510,214.08	(40,278.92)
MATERIAL RECOVERY FACILITY	165,250.00	184,545.14	19,295.14
LANDFILL/COMPOST OPERATION	92,040.00	107,350.24	15,310.24
ADMINISTRATIVE & GENERAL	438,944.00	353,287.41	(85,656.59)
FIXED CHARGES	0.00	0.00	0.00
	<u>\$1,698,950.00</u>	<u>\$1,628,299.19</u>	<u>(\$70,650.81)</u>
 REVENUES OVER EXPENSES	 \$365,058.00	 \$295,797.22	 (\$69,260.78)
 NET INCOME BEFORE DEPRECIATION	 <u>\$365,058.00</u>	 <u>\$295,797.22</u>	 <u>(\$69,260.78)</u>
 REBATE TO CITIES	 \$0.00	 \$277,000.00	 \$277,000.00

SOUTHEASTERN OAKLAND COUNTY RESOURCE RECOVERY AUTHORITY  
 STATEMENT OF INCOME JULY 1,2005 THROUGH SEPTEMBER 30,2005

REVENUES	TOTAL TONS	AMOUNT	2005/06 AVERAGE PER TON
<u>MUNICIPAL SOLID WASTE</u>			
MEMBERS	34,971.78	\$1,241,519.22	
OTHERS	2,797.59	187,073.98	
<u>COMPOST</u>			
MEMBERS	5,605.09	167,015.77	
OTHERS	135.62	8,918.12	
<u>RECYCLABLES</u>			
MEMBERS	3,978.92	(119,867.91)	
DROP OFF CENTERS	51.25	0.00	
	<hr/>	<hr/>	
	47,540.25	\$1,484,659.18	\$31.23
<u>OTHER INCOME</u>			
REVENUES - CARDBOARD		\$18,116.95	
REVENUES - PLASTICS		69,827.38	
REVENUES - SCRAP METAL		14,793.45	
REVENUES - NEWSPAPERS		239,729.33	
REVENUES - GLASS		4,119.84	
REVENUES-HOUSEHOLD WASTE		44,373.00	
REVENUES BATTERIES		355.00	
REVENUES - TIN CANS		5,284.78	
REVENUES - COMPOST		9,228.00	
INTEREST ON INVESTMENTS		5,009.36	
GRANT FUNDS		0.00	
RENTAL INCOME		22,990.00	
MISC. INCOME		5,610.14	
		<hr/>	
		\$439,437.23	9.24
		<hr/> <hr/>	
TOTAL REVENUES		\$1,924,096.41	\$40.47
<u>EXPENSES</u>			
MADISON HEIGHTS TRANSFER STATION		\$421,321.63	
BATTERY RECYCLING/HOUSEHOLD WASTE		51,580.69	
TROY TS OPERATION		510,214.08	
MATERIAL RECOVERY FACILITY		184,545.14	
LANDFILL/COMPOST OPERATION		107,350.24	
ADMINISTRATIVE & GENERAL		353,287.41	
FIXED CHARGES		0.00	
		<hr/>	
		\$1,628,299.19	\$34.25
NET INCOME BEFORE DEPRECIATION		\$295,797.22	\$6.22
DEPRECIATION		24,980.00	\$0.53
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NET INCOME		\$270,817.22	\$5.70
REBATES TO CITIES		<hr/>	
		\$277,000.00	5.83

SOUTHEASTERN OAKLAND COUNTY RESOURCE RECOVERY AUTHORITY  
 STATEMENT OF REVENUES & EXPENDITURES  
 COMPARED WITH TOTAL BUDGET  
 JULY 1,2005 THROUGH SEPTEMBER 30,2005

<u>REVENUES</u>	<u>TOTAL BUDGET 2005/06</u>	<u>ACTUAL 3 MONTHS</u>	<u>BALANCE</u>
<u>MUNICIPAL SOLID WASTE</u>			
MEMBERS	\$5,189,100.00	\$1,241,519.22	\$3,947,580.78
OTHERS	673,700.00	187,073.98	486,626.02
	<u>\$5,862,800.00</u>	<u>\$1,428,593.20</u>	<u>\$4,434,206.80</u>
<u>COMPOST</u>			
MEMBERS-COMPOST	\$1,061,600.00	\$167,015.77	\$894,584.23
OTHERS-COMPOST	54,000.00	8,918.12	45,081.88
	<u>\$1,115,600.00</u>	<u>\$175,933.89</u>	<u>\$939,666.11</u>
<u>RECYCLABLES</u>			
MEMBERS CREDIT	(\$525,600.00)	(\$119,867.91)	(\$405,732.09)
<u>OTHER INCOME</u>			
REVENUES - CARDBOARD	\$90,000.00	\$18,116.95	\$71,883.05
REVENUES - PLASTICS	258,000.00	69,827.38	188,172.62
REVENUES - SCRAP METAL	210,000.00	14,793.45	195,206.55
REVENUES - NEWSPAPERS	1,116,000.00	239,729.33	876,270.67
REVENUES - GLASS	18,000.00	4,119.84	13,880.16
REVENUES-HOUSEHOLD WASTE	119,000.00	44,373.00	74,627.00
REVENUES - BATTERIES	0.00	355.00	(355.00)
REVENUES - TIN CANS	85,000.00	5,284.78	79,715.22
REVENUES - COMPOST	118,000.00	9,228.00	108,772.00
INTEREST ON INVESTMENTS	24,000.00	5,009.36	18,990.64
RENTAL INCOME	103,000.00	22,990.00	80,010.00
MISC. INCOME	15,000.00	5,610.14	9,389.86
	<u>\$2,156,000.00</u>	<u>\$439,437.23</u>	<u>\$1,716,562.77</u>
 TOTAL REVENUES	 <u>\$8,608,800.00</u>	 <u>\$1,924,096.41</u>	 <u>\$6,684,703.59</u>

SOUTHEASTERN OAKLAND COUNTY RESOURCE RECOVERY AUTHORITY  
 STATEMENT OF REVENUES & EXPENDITURES  
 COMPARED WITH TOTAL BUDGET  
 JULY 1,2005 THROUGH SEPTEMBER 30,2005

<u>EXPENSES</u>	<u>TOTAL BUDGET 2005/06</u>	<u>ACTUAL 3 MONTHS</u>	<u>BALANCE</u>
MADISON HEIGHTS OPERATION	\$2,332,074.00	\$421,321.63	\$1,910,752.37
BATTERY/HOUSEHOLD WASTE	165,864.00	51,580.69	114,283.31
TROY TS OPERATION	3,030,180.00	510,214.08	2,519,965.92
MATERIAL RECOVERY FACILITY	766,000.00	184,545.14	581,454.86
LANDFILL/COMPOST OPERATION	413,420.00	107,350.24	306,069.76
ADMINISTRATIVE & GENERAL	1,443,300.00	353,287.41	1,090,012.59
FIXED CHARGES	0.00	277,000.00	(277,000.00)
	<u>\$8,150,838.00</u>	<u>\$1,905,299.19</u>	<u>\$6,245,538.81</u>
TOTAL EXPENDITURES	<u>\$8,150,838.00</u>	<u>\$1,905,299.19</u>	<u>\$6,245,538.81</u>
NET INCOME	<u>\$457,962.00</u>	<u>\$18,797.22</u>	<u>\$439,164.78</u>
REBATES TO CITIES	\$0.00	\$277,000.00	(\$277,000.00)

SOUTHEASTERN OAKLAND COUNTY RESOURCE RECOVERY AUTHORITY  
 COMPARATIVE STATEMENT  
 JULY 1,2005 THROUGH SEPTEMBER 30,2005

	2005/06	2004/05	VARIANCES
<u>REVENUES</u>			
<u>MUNICIPAL SOLID WASTE</u>			
MEMBERS	\$1,241,519.22	\$1,298,536.63	(\$57,017.41)
OTHERS	187,073.98	186,878.62	195.36
	<u>\$1,428,593.20</u>	<u>\$1,485,415.25</u>	<u>(\$56,822.05)</u>
<u>COMPOST</u>			
MEMBERS	\$167,015.77	\$155,577.05	\$11,438.72
OTHERS	8,918.12	5,817.05	3,101.07
	<u>\$175,933.89</u>	<u>\$161,394.10</u>	<u>\$14,539.79</u>
<u>RECYCLABLES</u>			
MEMBERS CREDIT	(\$119,867.91)	(\$108,007.79)	(\$11,860.12)
<u>OTHER INCOME</u>			
REVENUES - CARDBOARD	\$18,116.95	\$25,944.14	(\$7,827.19)
REVENUES - PLASTICS	69,827.38	40,082.68	29,744.70
REVENUES - SCRAP METAL	14,793.45	76,663.99	(61,870.54)
REVENUES - NEWSPAPERS	239,729.33	270,850.15	(31,120.82)
REVENUES - GLASS	4,119.84	4,101.30	18.54
REVENUES-HOUSEHOLD WASTE	44,373.00	38,804.00	5,569.00
REVENUES-BATTERIES	355.00	52.50	302.50
REVENUES - TIN CANS	5,284.78	21,693.25	(16,408.47)
REVENUES - ALUMINUM	0.00	0.00	0.00
REVENUES - COMPOST	9,228.00	17,530.00	(8,302.00)
INTEREST ON INVESTMENTS	5,009.36	4,340.12	669.24
GRANT FUNDS	0.00	0.00	0.00
RENTAL INCOME	22,990.00	24,300.00	(1,310.00)
MISC. INCOME	5,610.14	680.57	4,929.57
	<u>\$439,437.23</u>	<u>\$525,042.70</u>	<u>(\$85,605.47)</u>
TOTAL REVENUES	\$1,924,096.41	\$2,063,844.26	(\$139,747.85)
OPERATING EXPENSES	\$1,628,299.19	\$1,584,939.76	\$43,359.43
EXCESS	\$295,797.22	\$478,904.50	(\$183,107.28)
REBATES TO CITIES	\$277,000.00	\$0.00	\$277,000.00
EXCESS AFTER REBATES	<u>\$18,797.22</u>	<u>\$478,904.50</u>	<u>(\$460,107.28)</u>

SOUTHEASTERN OAKLAND COUNTY RESOURCE RECOVERY AUTHORITY  
TOTAL DISPOSAL CHARGES  
JULY 1,2005 THROUGH SEPTEMBER 30,2005

<u>MUNICIPALITY</u>	<u>TOTAL TONS</u>	<u>DISPOSAL CHARGES</u>	<u>AVERAGE COST PER TON</u>
BERKLEY	2,261	\$65,586.39	\$29.01
BEVERLY HILLS	1,787	48,771.72	\$27.30
BIRMINGHAM	4,008	110,698.42	\$27.62
CLAWSON	2,061	58,640.18	\$28.45
FERNDALE	4,331	133,156.25	\$30.75
HAZEL PARK	2,725	85,614.85	\$31.42
HUNTINGTON WOODS	946	21,507.52	\$22.73
LATHRUP VILLAGE	746	22,219.59	\$29.78
OAK PARK	3,653	110,858.81	\$30.34
PLEASANT RIDGE	486	13,393.62	\$27.57
ROYAL OAK - CITY	9,342	264,306.60	\$28.29
TROY	12,210	353,913.13	\$28.99
SUB-TOTAL	44,556	\$1,288,667.08	\$28.92
OTHER CUSTOMERS	2,933	195,992.10	66.82
DROP OFF CENTERS	51	0.00	0.00
TOTAL	47,540	\$1,484,659.18	31.23

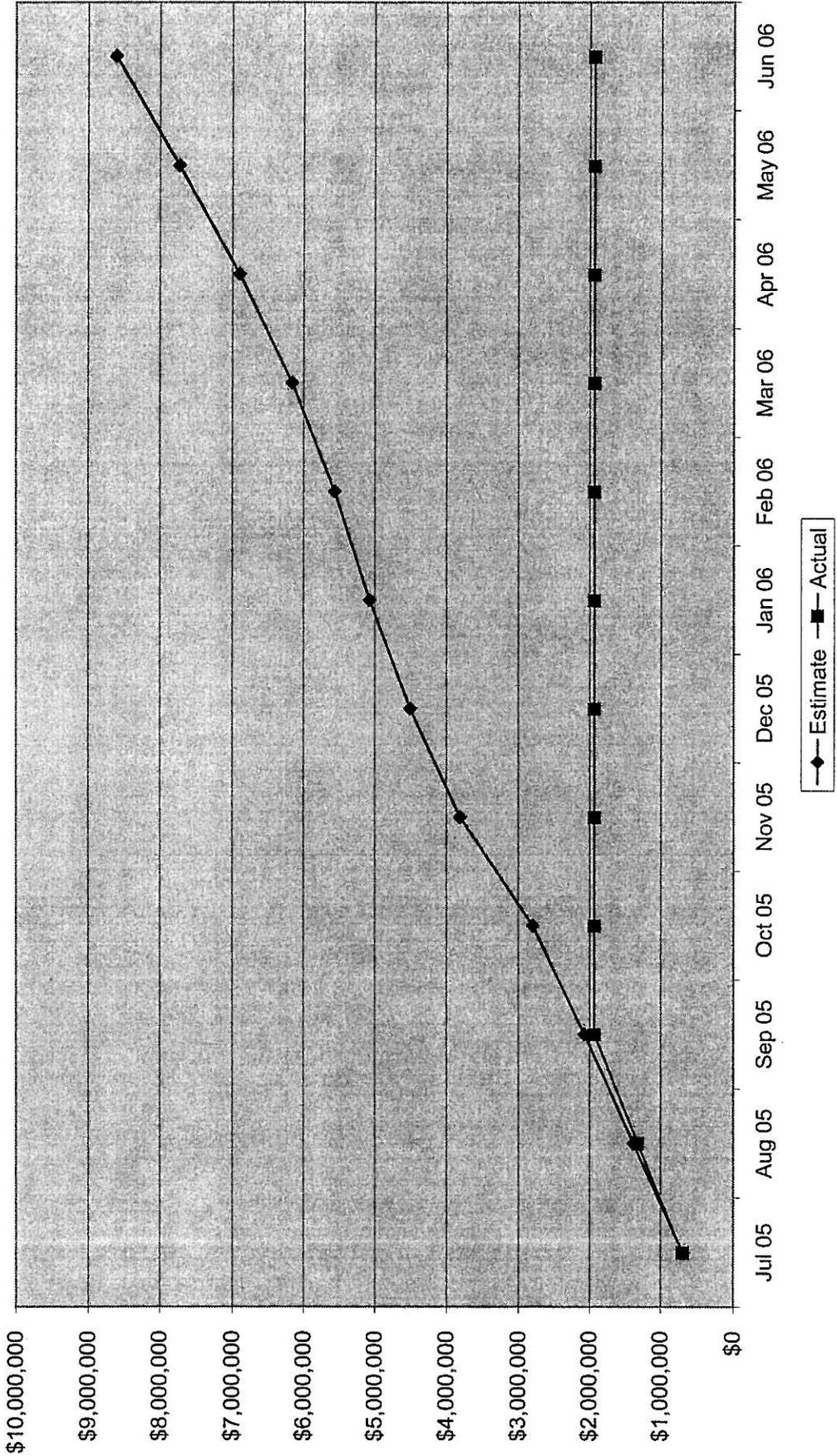
SOUTHEASTERN OAKLAND COUNTY RESOURCE RECOVERY AUTHORITY IMPROVEMENT FUND  
JULY 1,2005 THROUGH SEPTEMBER 30,2005

EXPENDITURES

Dual Stream	\$236,372.81
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TOTAL	<hr/> \$236,372.81
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# SOCRRA REVENUES 2005/06



# SOCRRA EXPENSES 2005/06

