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QUARTERLY REPORT APRIL 2014

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Chairman:	G. Rassel
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Advisory Committee:	C. Wilson G. Rassel

J. A. McKeen	General Manager
R. Jackovich	Operations Manager

April 2014

Board of Trustees
SOCRRA

Subject: Quarterly Report – April 2014

Board Members:

Attached is a copy of SOCRRA's Quarterly Report, covering the first nine months operation of the fiscal year 2013/14. 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 the Board of Trustees, and the members of the governing body of each of the member municipalities of this Authority.

FINANCIAL STATEMENT

The total net income for the first 9 months of 2013/14 was \$308,129 before capital expenses and depreciation, which is \$331,283 more than budgeted. This is \$381,284 less than the net income reported for the first nine months of 2012/13.

	<u>Actual</u>	<u>Compared to Budget</u>
Revenue	\$14,594,924	- \$311,298
Expenses	\$14,286,795	+ \$19,985
Net Operating Income	\$ 308,129	- \$ 331,283

Revenue was lower than planned due to the reduced rates charged to the member communities as a result of the contractor rate reductions (-\$297,000), lower than planned prices for our recycled materials (-\$252,000) and lower miscellaneous revenue (-\$7,000). These decreases were partially offset by higher than planned non-member refuse revenue from Car Trucking, Rizzo Services, Tringali Sanitation and other non-members (+\$222,000), non-member yard waste revenue (+\$18,000) and compost sales (+\$5,000). Additional information on the prices for our recycled materials is in the Major Projects area of this report.

Expenses were slightly over budget with increases in maintenance (+\$73,000), contract (+\$62,000) and utilities (+\$14,000) being partially offset by decreases in non-labor Administrative & General expense (-\$95,000), labor (-\$24,000) and supplies (-\$10,000). Additional financial detail is attached.

As of March 28, 2014, our working capital was 11.1% based on unrestricted assets. This is above the 7.5% working capital goal approved by the Board but was a decrease from the 12.8% working capital as of March 28, 2013.

MATERIAL HANDLED

The Authority processed 145,163 tons of refuse, yard waste and recyclables during the first nine months of the current fiscal year. This represents an increase of 3.9% or 5,509 total tons compared to the same period last year. This is the highest tonnage that we have handled over the last 5 years. Refuse and recycling tonnages from the member communities both increased by 1.0%. We had a large increase (7%) in non-member refuse tonnage, primarily from Car Trucking, Rizzo Services and Tringali Sanitation.

July 1 Through March 31

	2009/10	2010/11	2011/12	2012/13	2013/14
Member Refuse	77,638	77,139	79,207	75,237	76,066
Non-Member Refuse	8,608	21,596	18,526	20,837	22,271
Member Recycling	12,346	12,716	13,079	13,279	13,449
Non-Member Recycling	2,815	941	353	321	377
Yard Waste	36,081	29,063	30,890	29,930	33,000
TOTAL	137,488	141,455	142,055	139,654	145,163

CAPITAL EXPENDITURES

Capital expenditures for the first nine months of the fiscal year totaled \$225,556 and were for the first payment for a new loader at the Transfer Station (\$75,000), partial payments on the Scarab compost turner at the compost site (\$49,000), a new paper shredder at the recycling drop off center (\$41,000), partial payment for the new weigh scale at the MRF (\$31,000), the work to relocate the compactor from Madison Heights to the cash customer drop off area at the MRF (\$18,000), the expansion of the storage area for bales of finished recyclables at the MRF (\$6,000) and a snow plow for the compost site (\$5,000).

MAJOR PROJECTS

RECYCLED COMMODITY PRICES

The prices that we receive for our recycled paper products have been very stable at a low throughout the first nine months of this year. Revenue from recycled paper products was \$216,000 below budget. Plastic prices increased significantly in 2014 which has resulted in plastic revenue being only 1% below plan. The prices for our recycled metal products were also lower than budgeted which resulted in metal revenue being \$34,000 below budget. We are continuing to have to pay to recycle our mixed color glass. We are also continuing to ship about 30,000 pounds of the mixed #1-#7 injection molded plastics material for recycling every month. We are finally receiving a small payment for this material after having to pay for this material to be recycled for several years. We also produced several test bales of #5 plastic (polypropylene, which is the type of plastic used for the lids of margarine containers). We have one purchaser for this type of material and we will be looking for others. We were able to obtain a significantly higher price for this material by sorting it out of the #3-#7 plastic stream. Since all of the prices that we receive for our recycled materials are tied to market prices, we continue to expect significant month-to-month price fluctuations.

PROCESSING MATERIALS FROM OTHER COMMUNITIES

Car Trucking, Rizzo Services and Tringali Sanitation are continuing to bring us a significant amount of refuse from outside of the SOCRRA communities. The volume of our cash sales business has also increased significantly in recent months. The incremental revenue from our non-member customers helps us to offset the fixed costs of running the Troy Transfer Station.

CURBSIDE CLOTHING RECYCLING

We have been approached by a vendor that would like to provide curbside clothing recycling in the SOCRRA communities. Residents would place clothing to be recycled in a brightly colored plastic bag which would be picked up by the vendor on the resident's usual recycling and trash day. The material collected would be sorted for resale at local thrift shops and the unsold or unusable material would be exported for further sorting and processing. SOCRRA would be paid a small fee for each pound of material collected. In addition, SOCRRA would not have to pay to have this material landfilled. The EPA estimates that about 5% of the refuse in this country is clothing. At this level, the SOCRRA communities could generate about 10 million pounds of clothing that could be taken out of the waste stream and recycled.

We are working with the vendor to develop an agreement to allow a pilot test of this concept in some of the SOCRRA communities for several months in 2014. This vendor is also developing a pilot of their program in some of the RRRASOC communities, immediately to our west.

COLLECTION AND DISPOSAL CONTRACTS

SOCRRA's current collection and disposal contracts all expire on June 30, 2017. Each of these contracts allow SOCRRA to extend them for a second ten year term, at SOCRRA's sole discretion. SOCRRA General Counsel Bob Davis and I will be meeting with each SOCRRA Board member during the first part of 2014 to discuss their thoughts regarding SOCRRA service contracts for 2017-2027. These discussions should allow us to develop a draft plan that will be reviewed with the Board during mid-2014.

GRINDER FIRE

In late November, the grinder at the Compost Site caught fire and was significantly damaged. The grinder processes all of the incoming yard waste in order to speed the decomposition process that turns the yard waste into compost. We worked with our insurance company to acquire a used grinder to replace the fire damaged unit. The used grinder was delivered in mid-winter. We are still working on how to best use the grinder in our compost operation. We may be required to make some modifications to the teeth on the grinder in order to process woody type materials. Our compost site staff did a great job this winter in processing the material that was stockpiled while we were without the grinder. We are ready to ship finished compost to the member communities as soon as the frost laws are lifted this spring.

OAKLAND COUNTY SOLID WASTE PLAN

Rizzo Services has requested that the Oakland County Solid Waste Plan be amended to allow Rizzo to build a solid waste transfer station and recycling center in Pontiac. Oakland County's current plan was adopted in 2000 and has not been updated since. The County Solid Waste Planning Committee and the County Board of Commissioners have approved the amendment.

The amendment has recently been sent to the Oakland County communities for review. In order to become effective, the amendment must be approved by 2/3 of the communities in Oakland County.

The SOCRRA Board has adopted a position supporting the plan amendment but the Board has also encouraged the County to completely update the Solid Waste Plan to include the many changes that have taken place in Oakland County since 2000. SOCRRA will be encouraging the member communities to include a similar statement encouraging an update of the Plan in the resolutions from the member communities.

ELECTRONICS RECYCLING

The Board approved an extension of our electronics recycling contract with Vintage Tech through January of 2015. Vintage Tech has renewed their third party certifications through both the e-Steward and R2 programs. This provides assurance that SOCRRA's electronics are being properly recycled. For the first nine months of the current fiscal year, we have received revenue of over \$12,000 for our recycled electronics. Vintage Tech continues to provide excellent service at our recycling drop off center and at special electronics recycling events conducted by the member communities. This spring, Vintage Tech will be recycling electronics at events in Hazel Park, Huntington Woods and Royal Oak. Please let me know if your community is interested in conducting an electronics recycling event.

PENSION FUNDING

The SOCRRA Board approved some additional funding for the MERS plan that provides pension benefits for the retired and active salaried employees that provide services to both SOCRRA and SOCWA. This pension plan is significantly underfunded and we plan to increase the funding level to about 100% over a five year period. This was the second year in that five year plan.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

SOCRRA
STATEMENT OF INCOME
JULY 1, 2013 THROUGH MARCH 31, 2014

<u>REVENUES</u>	<u>ESTIMATED</u>	<u>ACTUAL</u>	<u>VARIANCES</u>
MEMBER SERVICES	\$12,839,322.00	\$12,541,998.90	(\$297,323.10)
NON-MEMBER REFUSE	665,000.00	886,628.32	221,628.32
NON MEMBER YARD WASTE	46,000.00	63,875.80	17,875.80
	<hr/> \$13,550,322.00	<hr/> \$13,492,503.02	<hr/> (\$57,818.98)
<u>RECYCLING</u>			
NEWSPAPERS	\$522,000.00	\$356,333.09	(\$165,666.91)
BOXBOARD	162,000.00	102,550.74	(\$59,449.26)
CARDBOARD	43,000.00	52,597.88	9,597.88
PLASTIC	294,000.00	290,053.05	(3,946.95)
SCRAP METAL	70,000.00	61,798.23	(8,201.77)
TIN CANS	105,000.00	83,052.07	(21,947.93)
NON FERROUS METAL	13,000.00	8,665.88	(4,334.12)
GLASS	6,900.00	5,979.25	(920.75)
BATTERIES	2,800.00	2,671.15	(128.85)
USED ELECTRONICS	10,000.00	12,360.98	2,360.98
	<hr/> \$1,228,700.00	<hr/> \$976,062.32	<hr/> (\$252,637.68)
<u>OTHER</u>			
REVENUES-COMPOST	\$27,000.00	\$32,043.50	\$5,043.50
INTEREST ON INVESTMENTS	12,000.00	15,599.74	3,599.74
RENTAL INCOME	69,200.00	66,998.00	(2,202.00)
GRANTS	0.00	0.00	0.00
MISC. INCOME	19,000.00	11,717.85	(7,282.15)
	<hr/> \$127,200.00	<hr/> \$126,359.09	<hr/> (\$840.91)
TOTAL REVENUES	<hr/> <hr/> \$14,906,222.00	<hr/> <hr/> \$14,594,924.43	<hr/> <hr/> (\$311,297.57)
<u>EXPENSES</u>			
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCES</u>
	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>	
MADISON HEIGHTS FACILITY	\$77,850.00	\$130,285.11	\$52,435.11
TROY TRANSFER FACILITY	1,855,940.00	2,261,272.85	405,332.85
MATERIAL RECOVERY FACILITY	918,050.00	886,996.08	(31,053.92)
HOUSEHOLD HAZARDOUS WASTE	197,900.00	164,638.49	(33,261.51)
COMPOST/LANDFILL FACILITY	324,434.00	295,622.29	(28,811.71)
ADMINISTRATIVE & GENERAL	932,636.00	808,562.54	(124,073.46)
COLLECTION FEES	7,950,000.00	7,564,925.38	(385,074.62)
COLLECTION & DISPOSAL FEES IN TRANSIT	2,010,000.00	2,174,492.32	164,492.32
	<hr/> \$14,266,810.00	<hr/> \$14,286,795.06	<hr/> \$19,985.06
REVENUES OVER EXPENSES	\$639,412.00	\$308,129.37	(\$331,282.63)
NET INCOME BEFORE DEPRECIATION	<hr/> <hr/> \$639,412.00	<hr/> <hr/> \$308,129.37	<hr/> <hr/> (\$331,282.63)

SOCRRA
STATEMENT OF INCOME
JULY 1, 2013 THROUGH MARCH 31, 2014

<u>REVENUE</u>	<u>TOTAL TONS</u>	<u>AMOUNT</u>
MEMBER SERVICES	76,065.73	\$12,541,998.90
NON-MEMBER REFUSE	22,270.81	886,628.32
<u>YARD WASTE</u>		
MEMBERS	32,219.74	0.00
OTHERS	780.44	63,875.80
<u>RECYCLABLES</u>		
MEMBERS	13,448.56	0.00
OTHERS	377.48	0.00
	145,162.76	\$13,492,503.02
<u>RECYCLING</u>		
NEWSPAPERS		\$356,333.09
BOXBOARD		102,550.74
CARDBOARD		52,597.88
PLASTIC		290,053.05
SCRAP METAL		61,798.23
TIN CANS		83,052.07
NON FERROUS METAL		8,665.88
GLASS		5,979.25
BATTERIES		2,671.15
USED ELECTRONICS		12,360.98
		\$976,062.32
<u>OTHER</u>		
COMPOST SALES		\$32,043.50
INTEREST ON INVESTMENTS		15,599.74
RENTAL INCOME		66,998.00
GRANTS		0.00
MISC. INCOME		11,717.85
		\$126,359.09
TOTAL REVENUE		\$14,594,924.43
<u>EXPENSES</u>		
MADISON HEIGHTS FACILITY		\$130,285.11
TROY TRANSFER FACILITY		2,261,272.85
MATERIAL RECOVERY FACILITY		886,996.08
HOUSEHOLD HAZARDOUS WASTE		164,638.49
COMPOST/LANDFILL FACILITY		295,622.29
ADMINISTRATIVE & GENERAL		808,562.54
COLLECTION CONTRACT EXPENSES		7,564,925.38
COLLECTION & DISPOSAL FEES IN TRANSIT		2,174,492.32
		\$14,286,795.06
NET INCOME BEFORE DEPRECIATION		\$308,129.37
DEPRECIATION		276,136.47
NET INCOME		\$31,992.90

SOCRRA
STATEMENT OF REVENUES & EXPENDITURES
COMPARED WITH TOTAL BUDGET
JULY 1, 2013 THROUGH MARCH 31, 2014

<u>REVENUES</u>	<u>TOTAL BUDGET 2013/14</u>	<u>ACTUAL 9 MONTHS</u>	<u>BALANCE</u>	
MEMBERS SERVICES	\$17,119,098.00	\$12,541,998.90	\$4,577,099.10	73%
NON-MEMBER REFUSE	890,000.00	886,628.32	3,371.68	100%
<u>YARD WASTE</u>				
NON-MEMBERS	64,000.00	63,875.80	124.20	100%
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<u>RECYCLABLES</u>				
NEWSPAPERS	\$782,000.00	\$356,333.09	\$425,666.91	46%
BOXBOARD	242,000.00	102,550.74	139,449.26	42%
CARDBOARD	63,000.00	52,597.88	10,402.12	83%
PLASTIC	442,000.00	290,053.05	151,946.95	66%
SCRAP METAL	105,000.00	61,798.23	43,201.77	59%
TIN CANS	157,000.00	83,052.07	73,947.93	53%
NON FERROUS METAL	18,000.00	8,665.88	9,334.12	48%
GLASS	10,000.00	5,979.25	4,020.75	60%
BATTERIES	4,000.00	2,671.15	1,328.85	67%
USED ELECTRONICS	15,000.00	12,360.98	2,639.02	82%
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	\$1,838,000.00	\$976,062.32	\$861,937.68	53%
<u>OTHER</u>				
COMPOST SALES	\$50,000.00	\$32,043.50	\$17,956.50	64%
INTEREST ON INVESTMENTS	16,000.00	15,599.74	400.26	97%
RENTAL OF HOMES	92,000.00	66,998.00	25,002.00	73%
GRANTS	0.00	0.00	0.00	0%
MISC. INCOME	25,000.00	11,717.85	13,282.15	47%
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	\$183,000.00	\$126,359.09	\$56,640.91	69%
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TOTAL REVENUES	\$20,094,098.00	\$14,594,924.43	\$5,499,173.57	73%

SOCRRA
 STATEMENT OF REVENUES & EXPENDITURES
 COMPARED WITH TOTAL BUDGET
 JULY 1, 2013 THROUGH MARCH 31, 2014

<u>EXPENSES</u>	<u>TOTAL BUDGET 2013/14</u>	<u>ACTUAL 9 MONTHS</u>	<u>BALANCE</u>	
MADISON HEIGHTS FACILITY	\$78,500.00	\$130,285.11	(\$51,785.11)	166%
TROY TRANSFER FACILITY	3,027,240.00	2,261,272.85	765,967.15	75%
MATERIAL RECOVERY FACILITY	1,218,200.00	886,996.08	331,203.92	73%
HOUSEHOLD HAZARDOUS WASTE	266,900.00	164,638.49	102,261.51	62%
COMPOST/LANDFILL FACILITY	454,670.00	295,622.29	159,047.71	65%
ADMINISTRATIVE & GENERAL	1,224,660.00	808,562.54	416,097.46	66%
COLLECTION & DISPOSAL FEES	12,713,821.00	7,564,925.38	5,148,895.62	60%
COLLECTION & DISPOSAL FEES IN TRANSIT	0.00	2,174,492.32	(2,174,492.32)	0%
	<u>\$18,983,991.00</u>	<u>\$14,286,795.06</u>	<u>\$4,697,195.94</u>	
TOTAL EXPENDITURES	<u>\$18,983,991.00</u>	<u>\$14,286,795.06</u>	<u>\$4,697,195.94</u>	75%
NET INCOME	<u>\$1,110,107.00</u>	<u>\$308,129.37</u>	<u>\$801,977.63</u>	28%

S O C R R A
 COMPARATIVE STATEMENT
 JULY 1, 2013 THROUGH MARCH 31, 2014

	<u>2013/14</u>	<u>2012/13</u>	<u>VARIANCES</u>
<u>REVENUES</u>			
MEMBER SERVICES	\$12,541,998.90	\$12,740,485.30	(\$198,486.40)
NON MEMBER REFUSE	886,628.32	836,559.99	50,068.33
<u>YARD WASTE</u>			
MEMBERS	0.00	0.00	0.00
OTHERS	63,875.80	55,314.40	8,561.40
	<hr/>	<hr/>	<hr/>
	\$13,492,503.02	\$13,632,359.69	(\$139,856.67)
<u>RECYCLABLES</u>			
NEWSPAPERS	\$356,333.09	\$429,369.69	(\$73,036.60)
BOXBOARD	102,550.74	116,998.94	(14,448.20)
CARDBOARD	52,597.88	34,150.10	18,447.78
PLASTIC	290,053.05	244,307.96	45,745.09
SCRAP METAL	61,798.23	39,007.76	22,790.47
TIN CANS	83,052.07	69,615.62	13,436.45
NON FERROUS METAL	8,665.88	14,377.40	(5,711.52)
GLASS	5,979.25	7,577.00	(1,597.75)
BATTERIES	2,671.15	687.72	1,983.43
USED ELECTRONICS	12,360.98	8,948.53	3,412.45
	<hr/>	<hr/>	<hr/>
	\$976,062.32	\$965,040.72	\$11,021.60
<u>OTHER</u>			
COMPOST SALES	\$32,043.50	\$22,619.00	\$9,424.50
INTEREST ON INVESTMENTS	15,599.74	13,639.18	1,960.56
RENTAL OF HOMES	66,998.00	65,772.50	1,225.50
GRANTS	0.00	0.00	0.00
MISC. INCOME	11,717.85	17,035.14	(5,317.29)
	<hr/>	<hr/>	<hr/>
	\$126,359.09	\$119,065.82	\$7,293.27
TOTAL REVENUES	\$14,594,924.43	\$14,716,466.23	(\$121,541.80)
OPERATING EXPENSES	\$14,286,795.06	\$14,027,052.78	\$259,742.28
EXCESS	<hr/>	<hr/>	<hr/>
	\$308,129.37	\$689,413.45	(\$381,284.08)

SOCRRA
TOTAL SERVICE CHARGES
JULY 1, 2013 THROUGH JANUARY 31, 2014

<u>MUNICIPALITY</u>	<u>TOTAL TONS</u>	<u>SERVICE CHARGES</u>
BERKLEY	6,683	\$653,673.01
BEVERLY HILLS	5,557	\$455,940.00
BIRMINGHAM	11,891	\$1,025,200.70
CLAWSON	5,717	\$548,380.70
FERNDALE	10,841	\$1,212,200.66
HAZEL PARK	6,388	\$786,942.00
HUNTINGTON WOODS	3,313	\$249,480.00
LATHRUP VILLAGE	2,055	\$203,751.67
OAK PARK	9,878	\$1,150,398.46
PLEASANT RIDGE	1,596	\$128,114.88
ROYAL OAK	28,130	\$3,141,207.18
TROY	29,684	2,986,709.64
	<hr/>	<hr/>
SUB-TOTAL	121,734	\$12,541,998.90
	<hr/>	<hr/>
OTHER CUSTOMERS	23,133	\$950,504.12
DROP OFF CENTERS	295	0.00
	<hr/>	<hr/>
TOTAL	145,163	\$13,492,503.02

SOCRRA
IMPROVEMENT FUND
JULY 1, 2013 THROUGH DECEMBER 31, 2013

EXPENDITURES

TS New Compactor	\$17,813.32
TS 950 Loader	\$75,000.00
MRF Storage Area	6,246.33
MRF New Scale	31,329.56
MRF New Paper Shredder	41,190.80
Plow for Compost Site	5,175.56
CS Scarab Rental/Shipping	48,800.00
TOTAL	<u><u>\$225,555.57</u></u>