



Berkley • Beverly Hills • Birmingham • Clawson • Ferndale • Hazel Park • Huntington Woods • Lathrup Village • Oak Park • Pleasant Ridge • Royal Oak • Troy

QUARTERLY REPORT OCTOBER 2014

BOARD OF TRUSTEES

Representative	Municipality
J. Bais-DiSessa	City of Berkley
C. Wilson	Village of Beverly Hills
L. Wood	City of Birmingham
M. Pollock	City of Clawson
L. Cureton	City of Ferndale
A. LeCureaux	City of Hazel Park
A. Sullivan	City of Huntington Woods
M. Baumgarten	City of Lathrup Village
R. Fortura	City of Oak Park
S. Pietrzak	City of Pleasant Ridge
G. Rassel	City of Royal Oak
T. Richnak	City of Troy

OFFICERS

Chairman:	G. Rassel
Vice Chair:	C. Wilson
Secretary:	T. Richnak
Advisory Committee:	C. Wilson G. Rassel

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

Board of Trustees
SOCRRA

Subject: Quarterly Report - October 2014

Board Members:

Attached is a copy of SOCRRA's Quarterly Report covering the first three months operation of the fiscal year 2014/15. 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 9, 2014, and members were elected to serve as Officers for the fiscal year beginning July 2014.

Following is a list of the current officers:

Chair: Greg Rassel
 Vice Chair: Chris Wilson
 Secretary: Tim Richnak

Representatives on the Board are entitled to one vote for each 3,000 tons, or fraction thereof, of material delivered to the Authority during the preceding fiscal year. The number of votes of each constituent member for the fiscal year, beginning July 2014, is as follows:

Municipality	Votes
Berkley	3
Beverly Hills	3
Birmingham	6
Clawson	3
Ferndale	6
Hazel Park	3
Huntington Woods	2
Lathrup Village	1
Oak Park	5
Pleasant Ridge	1
Royal Oak	13
Troy	14
Total:	60

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

The Authority is responsible for collecting recyclables, refuse and yard waste from the member communities and then recycling, disposing, or composting these materials. The Authority has entered into contracts with the individual members for a period extending 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 2014/15 was \$137,406, before depreciation. This was \$37,245 greater than planned and a decrease from the net income of \$269,406 for the same period of 2013/14.

	<u>Actual</u>	<u>Compared to Budget</u>
Revenue	\$5,001,580	+ \$ 145,031
Expenses	\$4,864,174	+ \$ 107,786
Net Income	\$ 137,406	+ \$ 37,245

The increase in revenue was due primarily to greater than planned non-member refuse from Car Trucking, Rizzo Services, Tringali Sanitation and our other cash customers (+\$162,000), higher member services revenue (+\$41,000), higher tonnage of non-member yard waste (\$16,000) and higher than planned compost sales (+\$6,000), which were partially offset by lower proceeds from the sale of recycled material (-\$71,000). The sale of recycled material generated \$212,000, which was 25% lower than budgeted and 20% lower than the revenue generated in the first quarter of 2013/14. The primary reasons for this decrease in revenue were the weak markets for all of our recycled materials except plastics and reduced recycling tonnage in August due to the flooding.

Expenses were higher than budget due to increased contract expenses (+\$265,000) which were partially offset by reduced costs for non-labor Administrative and General expenses (-\$120,000), maintenance (-\$35,000). All other expense items were very close to budget. Additional financial detail is attached.

MATERIAL HANDLED

SOCRRA processed 73,130 tons of refuse, yard waste and recyclables during the first three months of the current fiscal year. This represents an increase of 45% or 22,779 total tons compared to the same period last year. Most of the increased tonnage was refuse generated from the August 11 flooding, see discussion below. The amount of member refuse increased by 75% compared to the previous fiscal year. The amount of recycling from the member communities decreased by 279 tons or 6.2%. Non-member refuse tonnage increased by 40% compared to the previous year. This was also primarily due to the August 11 flooding.

Our recent history of tonnage handled is displayed in the table below:

	2010/11	2011/12	2012/13	2013/14	2014/15
Member Refuse	28,363	28,626	27,400	28,666	50,064
Non-Member Refuse	3,539	7,384	7,361	7,799	10,890
Member Recycling	4,190	4,259	4,242	4,485	4,206
Non-Member Recycling	377	113	145	127	132
Yard Waste	8,499	7,683	7,676	9,274	7,838
TOTAL	44,968	48,066	46,824	50,351	73,130

CAPITAL EXPENDITURES

Capital expenditures totaled \$31,742 for the first quarter. The major expenditures were for the initial payment for the replacement of the main sort conveyor for the container line at the MRF (\$20,000), for payments for the Scarab compost turner (\$6,000) and partial payment for the portable paper shredder at the MRF (\$4,000).

MAJOR PROJECTS

AUGUST 11, 2014 FLOODING

The flood of August 11, 2014 and the debris that resulted from the flood was by far the most important event of the first quarter. In the three weeks between August 11 and the end of the month, we received the amount of trash that would normally be generated in three months. The amount of debris generated by this event was far larger than anything SOCRRA has handled in its 50+ year history. The SOCRRA employees, city employees and the collection contractors performed an amazing amount of work to clean up the debris generated by this disaster. I was especially thankful for the work done by Bob Jackovich, SOCRRA Operations Director and Lucas Dean, Troy Transfer Station and MRF Supervisor, for their work in running SOCRRA's operations during this disaster.

The amount of material generated by this disaster completely overwhelmed our routine waste handling system. As a result, we established very large debris piles at three outside locations: at our Madison Heights Transfer Station, at our Troy Transfer Station and outside of the MRF at our Troy facility. We obtained emergency authorization from the Michigan Department of Environmental Quality to maintain the outside refuse piles, which were beyond the requirements of our operating permits. Despite this authorization, the City of Madison Heights took great lengths to disrupt our operations at our Madison Heights facility. It took the strong threat of legal action by Bob Davis, SOCRRA's General Counsel, to remove the obstacles preventing us from using our facility. Madison Heights also mailed tickets to Bob Jackovich and me at our homes for running an illegal dump. Mr. Davis was successful in having these tickets dismissed.

SOCRRA was able to secure the services of several contractors to assist with the debris removal efforts. Environmental Wood Services supplied large material handling equipment to manage the debris piles and to load trailers to transport the debris to landfills. Latigo Transportation also supplied trailers to transport debris. Waste Management provided landfill services at their Eagle Valley Landfill and collection services in several member communities. Collection services were also provided by city employees, Republic Services, Canton Waste, the Oakland County Road Commission, the City of Southfield, Brillar Landscaping, Turf Tenders as well as our existing collection contractors Car Trucking, Rizzo Services and Tringali Sanitation.

Collectively, the SOCRRA employees, the city employees and our contractors performed outstanding service in extremely difficult circumstances.

SOCRRA was able to return to normal operations as of September 8, 2014.

The response to this event also generated enormous costs. The event was declared a federal disaster in late September, which opened up the opportunity for financial help from FEMA. FEMA determined that SOCRRA was not able to apply directly to FEMA for reimbursement. Instead, we are going to be invoicing each affected community (which include all member communities except for Beverly Hills, Birmingham and Lathrup Village) and each community will seek reimbursement from FEMA. Under a pilot debris management program being conducted by FEMA, the cities will be eligible for up to 85% of the debris management costs incurred in the first 30 days following the August 11 event. Almost 100% of our expenses were incurred during this period.

SOCRRA has been working very closely with each affected community and their FEMA representative to provide all of the documentation and records needed by FEMA. We have developed a billing methodology that appears to be acceptable to FEMA and we have been working with our contractors to make sure that their invoices meet FEMA requirements. As of the end of October, this effort is nearing completion and we plan to be able to invoice the affected communities in early November. It appears that the FEMA reimbursement process will take several months to complete.

An event like this also offers a great learning opportunity. SOCRRA is reviewing how we handled every aspect of our operations, including the operations of our contractors, during this event. While I was very pleased with how we handled this event, there are a lot of things that we can learn so that we are better prepared for the next disaster.

RECYCLED COMMODITY PRICES

The prices that we receive for our recycled plastic and metal products have been fairly stable, but at a very low level. Prices have been consistently below the level used to prepare our budget. Plastic prices have been very good and have been above the budgeted level. However, the recent decline in oil prices will probably cause a decrease in our plastic prices.

We are continuing to find stable outlets for our mixed #1-#7 injection molded plastics material for recycling. We have been receiving a small payment for this material.

RECYCLING BIN BLITZ

As part of our celebration of America Recycles Day on November 15, during the month of November, SOCRRA and the member communities will again be selling recycling bins at a reduced price of \$6. This is about half of the usual price. We are doing this in order to encourage more residents to recycle and to use more than one bin for recycling in order to recycle the full range of materials that can be collected through our curbside recycling program. We hope to sell 1,000 recycling bins during the month of November.

STYROFOAM RECYCLING

The SOCRRA Board approved an agreement with Dart Industries that will allow us to begin to accept Styrofoam for recycling at our recycling drop-off center in Troy. Dart will be providing this recycling service on a no cost/no pay basis for a 6 month trial period. This agreement was approved 2 days after the August flood disaster took place and the subsequent events delayed the start of this new service. We hope to begin recycling Styrofoam during the 2nd quarter of the fiscal year. We will still not be accepting Styrofoam as part of our curbside recycling program.

However, being able to accept this material at our recycling drop-off center should generate a substantial amount of material and should be very popular with our residents.

ANNUAL AUDIT

Representatives of Plante & Moran were in the SOCRRA office for a week during September performing their audit of our accounting records. The final audit is being reviewed with the SOCRRA Audit Committee during October, 2014 and will be reviewed by the SOCRRA Board at their November, 2014 meeting.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

SOCRRA
STATEMENT OF INCOME
JULY 1, 2014 THROUGH SEPTEMBER 30, 2014

<u>REVENUES</u>	<u>ESTIMATED</u>	<u>ACTUAL</u>	<u>VARIANCES</u>
MEMBER SERVICES	\$4,263,249.00	\$4,303,758.32	\$40,509.32
NON-MEMBER REFUSE	250,000.00	412,882.58	162,882.58
NON MEMBER YARD WASTE	12,000.00	28,274.80	16,274.80
	<hr/> \$4,525,249.00	<hr/> \$4,744,915.70	<hr/> \$219,666.70
 <u>RECYCLING</u> 			
NEWSPAPERS	\$104,000.00	\$78,416.10	(\$25,583.90)
BOXBOARD	34,000.00	23,410.00	(\$10,590.00)
CARDBOARD	12,000.00	8,992.61	(3,007.39)
PLASTIC	80,000.00	64,677.65	(15,322.35)
SCRAP METAL	17,500.00	12,080.63	(5,419.37)
TIN CANS	27,000.00	15,059.52	(11,940.48)
NON FERROUS METAL	3,000.00	2,616.00	(384.00)
GLASS	2,000.00	544.25	(1,455.75)
BATTERIES	600.00	794.00	194.00
USED ELECTRONICS	3,000.00	5,069.88	2,069.88
	<hr/> \$283,100.00	<hr/> \$211,660.64	<hr/> (\$71,439.36)
 <u>OTHER</u> 			
REVENUES-COMPOST	\$14,000.00	\$19,630.20	\$5,630.20
INTEREST ON INVESTMENTS	5,100.00	2,455.32	(2,644.68)
RENTAL INCOME	23,100.00	20,887.00	(2,213.00)
GRANTS	0.00	0.00	0.00
MISC. INCOME	6,000.00	2,031.50	(3,968.50)
	<hr/> \$48,200.00	<hr/> \$45,004.02	<hr/> (\$3,195.98)
 TOTAL REVENUES	 <hr/> <hr/> \$4,856,549.00	 <hr/> <hr/> \$5,001,580.36	 <hr/> <hr/> \$145,031.36
 <u>EXPENSES</u> 			
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCES</u>
	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>	
MADISON HEIGHTS FACILITY	\$6,450.00	\$14,637.94	\$8,187.94
TROY TRANSFER FACILITY	342,400.00	461,024.23	118,624.23
MATERIAL RECOVERY FACILITY	293,350.00	246,494.84	(46,855.16)
HOUSEHOLD HAZARDOUS WASTE	66,250.00	36,669.10	(29,580.90)
COMPOST/LANDFILL FACILITY	132,600.00	104,889.73	(27,710.27)
ADMINISTRATIVE & GENERAL	333,395.00	206,467.35	(126,927.65)
COLLECTION FEES	1,643,981.00	1,306,493.53	(337,487.47)
COLLECTION & DISPOSAL FEES IN TRANSIT	1,937,962.00	2,487,497.37	549,535.37
	<hr/> \$4,756,388.00	<hr/> \$4,864,174.09	<hr/> \$107,786.09
 REVENUES OVER EXPENSES	 \$100,161.00	 \$137,406.27	 \$37,245.27
 NET INCOME BEFORE DEPRECIATION	 <hr/> <hr/> \$100,161.00	 <hr/> <hr/> \$137,406.27	 <hr/> <hr/> \$37,245.27

SOCRRA
STATEMENT OF INCOME
JULY 1, 2014 THROUGH SEPTEMBER 30, 2014

<u>REVENUE</u>	<u>TOTAL TONS</u>	<u>AMOUNT</u>
MEMBER SERVICES	50,064.53	\$4,303,758.32
NON-MEMBER REFUSE	10,889.58	412,882.58
<u>YARD WASTE</u>		
MEMBERS	7,500.23	0.00
OTHERS	338.06	28,274.80
<u>RECYCLABLES</u>		
MEMBERS	4,206.30	0.00
OTHERS	131.70	0.00
	73,130.40	\$4,744,915.70
<u>RECYCLING</u>		
NEWSPAPERS		\$78,416.10
BOXBOARD		23,410.00
CARDBOARD		8,992.61
PLASTIC		64,677.65
SCRAP METAL		12,080.63
TIN CANS		15,059.52
NON FERROUS METAL		2,616.00
GLASS		544.25
BATTERIES		794.00
USED ELECTRONICS		5,069.88
		\$211,660.64
<u>OTHER</u>		
COMPOST SALES		\$19,630.20
INTEREST ON INVESTMENTS		2,455.32
RENTAL INCOME		20,887.00
GRANTS		0.00
MISC. INCOME		2,031.50
		45,004.02
TOTAL REVENUE		\$5,001,580.36
<u>EXPENSES</u>		
MADISON HEIGHTS FACILITY		\$14,637.94
TROY TRANSFER FACILITY		461,024.23
MATERIAL RECOVERY FACILITY		246,494.84
HOUSEHOLD HAZARDOUS WASTE		36,669.10
COMPOST/LANDFILL FACILITY		104,889.73
ADMINISTRATIVE & GENERAL		206,467.35
COLLECTION CONTRACT EXPENSES		1,306,493.53
COLLECTION & DISPOSAL FEES IN TRANSIT		2,487,497.37
		\$4,864,174.09
NET INCOME BEFORE DEPRECIATION		\$137,406.27
DEPRECIATION		97,662.54
NET INCOME		\$39,743.73

SOCRRA
 STATEMENT OF REVENUES & EXPENDITURES
 COMPARED WITH TOTAL BUDGET
 JULY 1, 2014 THROUGH SEPTEMBER 30, 2014

<u>REVENUES</u>	<u>TOTAL BUDGET 2014/15</u>	<u>ACTUAL 3 MONTHS</u>	<u>BALANCE</u>	
MEMBERS SERVICES	\$17,053,000.00	\$4,303,758.32	\$12,749,241.68	25%
NON-MEMBER REFUSE	954,000.00	412,882.58	541,117.42	43%
<u>YARD WASTE</u>				
NON-MEMBERS	70,000.00	28,274.80	41,725.20	40%
<hr/>				
	\$18,077,000.00	\$4,744,915.70	\$13,332,084.30	
<u>RECYCLABLES</u>				
NEWSPAPERS	\$630,000.00	\$78,416.10	\$551,583.90	12%
BOXBOARD	210,000.00	23,410.00	186,590.00	11%
CARDBOARD	71,000.00	8,992.61	62,007.39	13%
PLASTIC	485,000.00	64,677.65	420,322.35	13%
SCRAP METAL	107,000.00	12,080.63	94,919.37	11%
TIN CANS	164,000.00	15,059.52	148,940.48	9%
NON FERROUS METAL	17,000.00	2,616.00	14,384.00	15%
GLASS	13,000.00	544.25	12,455.75	4%
BATTERIES	4,000.00	794.00	3,206.00	20%
USED ELECTRONICS	21,000.00	5,069.88	15,930.12	24%
<hr/>				
	\$1,722,000.00	\$211,660.64	\$1,510,339.36	12%
<u>OTHER</u>				
COMPOST SALES	\$60,000.00	\$19,630.20	\$40,369.80	33%
INTEREST ON INVESTMENTS	20,000.00	2,455.32	17,544.68	12%
RENTAL OF HOMES	95,000.00	20,887.00	74,113.00	22%
GRANTS	0.00	0.00	0.00	0%
MISC. INCOME	25,000.00	2,031.50	22,968.50	8%
<hr/>				
	\$200,000.00	\$45,004.02	\$154,995.98	23%
<hr/>				
TOTAL REVENUES	\$19,999,000.00	\$5,001,580.36	\$14,997,419.64	25%

SOCRRA
 STATEMENT OF REVENUES & EXPENDITURES
 COMPARED WITH TOTAL BUDGET
 JULY 1, 2014 THROUGH SEPTEMBER 30, 2014

<u>EXPENSES</u>	<u>TOTAL BUDGET 2014/15</u>	<u>ACTUAL 3 MONTHS</u>	<u>BALANCE</u>	
MADISON HEIGHTS FACILITY	\$96,000.00	\$14,637.94	\$81,362.06	15%
TROY TRANSFER FACILITY	3,148,600.00	461,024.23	2,687,575.77	15%
MATERIAL RECOVERY FACILITY	1,192,050.00	246,494.84	945,555.16	21%
HOUSEHOLD HAZARDOUS WASTE	270,200.00	36,669.10	233,530.90	14%
COMPOST/LANDFILL FACILITY	428,900.00	104,889.73	324,010.27	24%
ADMINISTRATIVE & GENERAL	1,256,800.00	206,467.35	1,050,332.65	16%
COLLECTION & DISPOSAL FEES	12,528,000.00	1,306,493.53	11,221,506.47	10%
COLLECTION & DISPOSAL FEES IN TRANSIT	0.00	2,487,497.37	(2,487,497.37)	0%
	<u>\$18,920,550.00</u>	<u>\$4,864,174.09</u>	<u>\$14,056,375.91</u>	
TOTAL EXPENDITURES	<u>\$18,920,550.00</u>	<u>\$4,864,174.09</u>	<u>\$14,056,375.91</u>	26%
NET INCOME	<u>\$1,078,450.00</u>	<u>\$137,406.27</u>	<u>\$941,043.73</u>	13%

S O C R R A
 COMPARATIVE STATEMENT
 JULY 1, 2014 THROUGH SEPTEMBER 30, 2014

	<u>2014/15</u>	<u>2013/14</u>	<u>VARIANCES</u>
<u>REVENUES</u>			
MEMBER SERVICES	\$4,303,758.32	\$4,173,809.24	\$129,949.08
NON MEMBER REFUSE	412,882.58	326,937.62	85,944.96
<u>YARD WASTE</u>			
MEMBERS	0.00	0.00	0.00
OTHERS	28,274.80	25,737.80	2,537.00
	<hr/>	<hr/>	<hr/>
	\$4,744,915.70	\$4,526,484.66	\$218,431.04
<u>RECYCLABLES</u>			
NEWSPAPERS	\$78,416.10	\$89,330.70	(\$10,914.60)
BOXBOARD	23,410.00	25,699.19	(2,289.19)
CARDBOARD	8,992.61	16,305.34	(7,312.73)
PLASTIC	64,677.65	84,679.09	(20,001.44)
SCRAP METAL	12,080.63	18,093.63	(6,013.00)
TIN CANS	15,059.52	18,270.08	(3,210.56)
NON FERROUS METAL	2,616.00	3,340.76	(724.76)
GLASS	544.25	504.25	40.00
BATTERIES	794.00	1,376.80	(582.80)
USED ELECTRONICS	5,069.88	2,058.44	3,011.44
	<hr/>	<hr/>	<hr/>
	\$211,660.64	\$259,658.28	(\$47,997.64)
<u>OTHER</u>			
COMPOST SALES	\$19,630.20	\$22,724.50	(\$3,094.30)
INTEREST ON INVESTMENTS	2,455.32	3,531.34	(1,076.02)
RENTAL OF HOMES	20,887.00	22,192.00	(1,305.00)
GRANTS	0.00	0.00	0.00
MISC. INCOME	2,031.50	1,562.00	469.50
	<hr/>	<hr/>	<hr/>
	\$45,004.02	\$50,009.84	(\$5,005.82)
TOTAL REVENUES	\$5,001,580.36	\$4,836,152.78	\$165,427.58
OPERATING EXPENSES	\$4,864,174.09	\$4,566,272.58	\$297,901.51
EXCESS	<hr/>	<hr/>	<hr/>
	\$137,406.27	\$269,880.20	(\$132,473.93)

SOCRRA
TOTAL SERVICE CHARGES
JULY 1, 2013 THROUGH SEPTEMBER 30, 2013

<u>MUNICIPALITY</u>	<u>TOTAL TONS</u>	<u>SERVICE CHARGES</u>
BERKLEY	4,660	\$226,023.36
BEVERLY HILLS	2,018	\$154,998.00
BIRMINGHAM	3,679	\$348,118.64
CLAWSON	3,084	\$189,224.70
FERNDALE	5,581	\$417,355.06
HAZEL PARK	3,591	\$267,781.10
HUNTINGTON WOODS	4,299	\$84,750.00
LATHRUP VILLAGE	627	\$69,591.74
OAK PARK	7,229	\$400,287.81
PLEASANT RIDGE	521	\$43,961.28
ROYAL OAK	14,677	\$1,070,411.32
TROY	11,806	1,031,255.31
	<hr/>	<hr/>
SUB-TOTAL	61,771	\$4,303,758.32
	<hr/>	<hr/>
OTHER CUSTOMERS	11,245	\$441,157.38
DROP OFF CENTERS	115	0.00
	<hr/> <hr/>	<hr/> <hr/>
TOTAL	73,130	\$4,744,915.70

SOCRRA
IMPROVEMENT FUND
JULY 1, 2014 THROUGH SEPTEMBER 30, 2014

EXPENDITURES

TS Driveway Replacement	\$1,602.25
MRF Conveyor Belt	\$20,000.00
MRF New Paper Shredder	4,140.00
CS Scarab Rental	6,000.00
TOTAL	<u>\$31,742.25</u>