



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

QUARTERLY REPORT JANUARY 2015

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

January 2015

Board of Trustees
SOCRRA

Subject: Quarterly Report - January 2015

Board Members:

Attached is a copy of SOCRRA's Quarterly Report covering the first six months operation of the 2014/15 fiscal year. The report contains a financial statement of SOCRRA'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 6 months of 2014/15 was \$372,531 before depreciation. This is an increase from the net income of \$128,907 that was recorded for the first 6 months of 2013/14. The net income for the first 6 months was \$51,234 more than budgeted.

	<u>Actual</u>	<u>Compared to Budget</u>
Revenue	\$13,083,208	+\$ 3,199,610
Expenses	\$12,710,677	+\$3,148,376
Net Income	+\$372,531	+\$51,234

Both revenue and expenses were significantly higher than planned due to the huge amount of debris that we handled due the August flooding disaster, see discussion below under Major Projects.

Revenue was higher than planned due to increased revenue from the member communities due to the flood debris (+\$3,005,000), non-member refuse revenue from Car Trucking, Rizzo Services and Tringali Sanitation (+\$252,000), non-member yard waste revenue (+\$34,000) and compost sales (+\$33,000). These increases were partially offset by lower than planned prices for our recycled materials (-\$117,000).

Expenses were above budget primarily due to higher than planned costs for contractor expenses (+\$3,175,000) and labor (+\$85,000), which were partially offset by lower than planned costs for non-labor Administrative and General Expenses (-\$64,000), maintenance (-\$26,000), supplies (-\$13,000) and utilities (-\$8,000).

Total revenue for the first six months of 2014/15 increased by \$3,308,000 compared to the first six months of 2013/14. This increase was due to increased revenue from the member communities due to the flood debris (+\$3,163,000), increased non-member refuse (+\$104,000), increased compost sales (+\$23,000) and increased non-member yard waste (+\$13,000). Revenue from the sale of recycled materials was almost unchanged.

Operating expenses for the first six months of 2014/15 were \$3,064,000 higher compared to the first six months of 2013/14. The increase in expenses was primarily due to the extra collection and disposal costs associated with the increased refuse tonnage that resulted from the August flooding disaster.

Additional financial detail is attached.

MATERIAL HANDLED

SOCRRA processed 136,466 tons of refuse, yard waste and recyclables during the first six months of the current fiscal year. This represents an increase of 20.7% or 23,416 total tons compared to the same period last year. Member refuse increased by 42.4% largely due to the huge amount of refuse resulting from the August 2014 flood disaster. Member recycling decreased by 2.9% from the previous year largely due to the reduction in recycling during the flood disaster. Non-member refuse increased by 19.9% compared to last year due to Tringali Sanitation, Rizzo Services and Car Trucking delivering higher tonnages to our Troy Transfer Station.

Our recent history of tonnage handled for the first half of the fiscal year is displayed in the table below:

	2010/11	2011/12	2012/13	2013/14	2014/15
Member Refuse	54,326	55,319	53,039	54,400	77,447
Non-Member Refuse	15,469	13,431	14,600	16,169	19,389
Member Recycling	8,688	8,819	8,986	9,273	9,005
Non-Member Recycling	839	240	261	261	263
Yard Waste	<u>28,963</u>	<u>30,259</u>	<u>29,581</u>	<u>32,947</u>	<u>30,362</u>
TOTAL	108,285	108,068	106,467	113,050	136,466

CAPITAL EXPENDITURES

Capital expenditures for the first six months of the fiscal year totaled \$536,909 and were for the purchase of a new loader at the MRF (\$238,000), a used Scarab compost turner at the Compost Site (\$228,000), replacement of the main conveyor belt for the container sort line at the MRF (\$51,000), the purchase of a portable paper shredder, a generator to power the shredder and a trailer to carry the shredder and generator (\$15,000) and concrete replacement work for the Troy Transfer Station driveway (\$5,000). The loader and compost turner were financed over a several year period.

MAJOR PROJECTS

AUGUST FLOOD DISASTER

The August 2014 flood disaster was the major event for SOCRRA in the first half of the 2014/15 fiscal year. Collecting and disposing of the massive amounts of debris generated by the flooding was a major challenge for SOCRRA and our collection and disposal contractors. These efforts also incurred huge expenses, which are included in the financial results discussed above and in the attached financial statements.

SOCRRA participated in many meetings with FEMA personnel in the second quarter of the 2014/15 fiscal year. Working with FEMA, we were able to develop a methodology of identifying incremental debris tonnage, collection costs and disposal costs for SOCRRA and for

the 9 member communities that were affected by the August flooding. Individual invoices were prepared for each member community, with all of the back-up material requested by FEMA, and were submitted to each community during October. Each of the 9 communities then submitted a reimbursement request to FEMA. Under the FEMA guidelines, the communities should be able to receive reimbursement for up to 85% of their debris removal costs. As of the end of January 2015, none of the communities have received reimbursement from FEMA.

The SOCRRA Board approved a two month loan of \$1 million from SOCWA, at the prime rate, to allow SOCRRA to pay contractor invoices while we were awaiting payments from the member communities. This loan will be paid back in January, 2015. The financial statements attached to this report contain all of the costs and revenues from the flood event.

An event like this 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. We will be preparing disaster response plans that should help us respond to the next disaster.

RECYCLED COMMODITY PRICES

The prices that we receive for our recycled paper and plastic products have been fairly stable, but at a very low level. Prices have been consistently below the level used to prepare our budget. Overall, our prices are slightly higher than they were in the first six months of the last fiscal year.

We are continuing to have to pay to recycle our mixed color glass. During the first half of the year, we were able to ship about 260,000 pounds of the mixed #1-#7 injection molded plastics material for recycling. We have been receiving a small payment for this material and we finally have a stable outlet that can recycle the material as it is generated.

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 incremental revenue from Rizzo and Tringali helps us to offset the fixed costs of running the Troy Transfer Station.

STYROFOAM RECYCLING

SOCRRA began accepting Styrofoam for recycling at our recycling drop-off center in Troy on December 1, 2014. Dart Industries, which is located in Mason, MI, will be picking up the recycled Styrofoam on a no cost/no pay basis for a 6 month trial period. Thus far, Styrofoam recycling has gone very well. Dart is picking up the collected material every other week and they have not had any quality concerns with the material that we have collected. We will not be accepting Styrofoam as part of our curbside recycling program.

RECYCLING BIN BLITZ

As part of our celebration of America Recycles Day, during the month of November SOCRRA and the member communities sold 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 sold 791 recycling bins during the month of November which was a significant increase from the number of bins sold during November of 2013.

FALL LEAF SEASON

The recently completed fall leaf season went very well. Our municipal crews and contractors were able to completely clean up the leaves before the middle of December despite the poor

weather this fall. During the winter months, residents of the SOCRRA communities can bring in up to 10 kraft paper bags of yard waste to our Troy Transfer Station for disposal. We will be continuing this service until curbside pickup of yard waste begins again in April.

COLLECTION 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's General Counsel Bob Davis and I have been meeting with SOCRRA Board members to discuss their thoughts regarding SOCRRA service contracts for 2017-2027. Bob and I will be completing these discussions during early 2015. That should allow us to develop a draft plan that will be reviewed with the Board during mid-2015.

ELECTRONICS RECYCLING CONTRACT

SOCRRA conducted an RFP for electronics recycling because our current electronics recycling contract expires in February, 2015. We sent the RFP document to over 40 vendors but received only 5 responses. Our current contractor, Vintage Tech, supplied the best proposal and we are conducting contract negotiations with them. We should be able to continue to provide a full range of electronics recycling services, including special event recycling at events hosted by the member communities. If your community would like to conduct an electronics recycling event this summer, please contact the SOCRRA office.

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 third year of incremental funding in that five year plan.

ANNUAL AUDIT

The audit report for the 2013/14 fiscal year was completed by our auditors, Plante & Moran. This was the fourth audit performed by Plante & Moran under our five year agreement. The audit found the Authority to be in complete conformity with generally accepted accounting practices. The auditors concluded that the Authority's level of working capital decreased over the previous year to a level of 6.8% annual expenditures. The net assets of SOCRRA decreased by \$420,000 during 2013/14.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

SOCRRA
STATEMENT OF INCOME
JULY 1, 2014 THROUGH DECEMBER 31, 2014

<u>REVENUES</u>	<u>ESTIMATED</u>	<u>ACTUAL</u>	<u>VARIANCES</u>
MEMBER SERVICES	\$8,526,498.00	\$11,531,408.48	\$3,004,910.48
NON-MEMBER REFUSE	505,000.00	756,676.61	251,676.61
NON MEMBER YARD WASTE	42,000.00	75,766.66	33,766.66
	<u>\$9,073,498.00</u>	<u>\$12,363,851.75</u>	<u>\$3,290,353.75</u>
<u>RECYCLING</u>			
NEWSPAPERS	\$263,000.00	\$217,954.82	(\$45,045.18)
BOXBOARD	88,000.00	68,565.50	(\$19,434.50)
CARDBOARD	30,000.00	25,399.78	(4,600.22)
PLASTIC	201,000.00	195,574.84	(5,425.16)
SCRAP METAL	45,000.00	35,374.89	(9,625.11)
TIN CANS	68,500.00	36,956.40	(31,543.60)
NON FERROUS METAL	7,500.00	4,641.60	(2,858.40)
GLASS	5,500.00	1,133.50	(4,366.50)
BATTERIES	1,600.00	1,707.00	107.00
USED ELECTRONICS	7,000.00	12,334.17	5,334.17
	<u>\$717,100.00</u>	<u>\$599,642.50</u>	<u>(\$117,457.50)</u>
<u>OTHER</u>			
REVENUES-COMPOST	\$23,000.00	\$55,507.20	\$32,507.20
INTEREST ON INVESTMENTS	10,000.00	8,647.26	(1,352.74)
RENTAL INCOME	47,000.00	44,262.00	(2,738.00)
GRANTS	0.00	0.00	0.00
MISC. INCOME	13,000.00	11,296.92	(1,703.08)
	<u>\$93,000.00</u>	<u>\$119,713.38</u>	<u>\$26,713.38</u>
TOTAL REVENUES	<u><u>\$9,883,598.00</u></u>	<u><u>\$13,083,207.63</u></u>	<u><u>\$3,199,609.63</u></u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCES</u>
<u>EXPENSES</u>	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>	
MADISON HEIGHTS FACILITY	\$89,100.00	\$338,352.51	\$249,252.51
TROY TRANSFER FACILITY	1,166,500.00	2,142,394.06	975,894.06
MATERIAL RECOVERY FACILITY	600,100.00	569,284.43	(30,815.57)
HOUSEHOLD HAZARDOUS WASTE	132,500.00	149,701.48	17,201.48
COMPOST/LANDFILL FACILITY	238,750.00	233,244.96	(5,505.04)
ADMINISTRATIVE & GENERAL	631,465.00	561,249.93	(70,215.07)
COLLECTION FEES	4,775,924.00	6,546,867.51	1,770,943.51
COLLECTION & DISPOSAL FEES IN TRANSIT	1,927,962.00	2,169,581.83	241,619.83
	<u>\$9,562,301.00</u>	<u>\$12,710,676.71</u>	<u>\$3,148,375.71</u>
REVENUES OVER EXPENSES	<u>\$321,297.00</u>	<u>\$372,530.92</u>	<u>\$51,233.92</u>
NET INCOME BEFORE DEPRECIATION	<u><u>\$321,297.00</u></u>	<u><u>\$372,530.92</u></u>	<u><u>\$51,233.92</u></u>

SOCRRA
 STATEMENT OF INCOME
 JULY 1, 2014 THROUGH DECEMBER 31, 2014

	<u>TOTAL TONS</u>	<u>AMOUNT</u>
	<u>REVENUE</u>	
MEMBER SERVICES	77,446.90	\$11,531,408.48
NON-MEMBER REFUSE	19,389.41	756,676.61
	<u>YARD WASTE</u>	
MEMBERS	29,485.01	0.00
OTHERS	876.73	75,766.66
	<u>RECYCLABLES</u>	
MEMBERS	9,004.65	0.00
OTHERS	263.01	0.00
	136,465.71	\$12,363,851.75
	<u>RECYCLING</u>	
NEWSPAPERS		\$217,954.82
BOXBOARD		68,565.50
CARDBOARD		25,399.78
PLASTIC		195,574.84
SCRAP METAL		35,374.89
TIN CANS		36,956.40
NON FERROUS METAL		4,641.60
GLASS		1,133.50
BATTERIES		1,707.00
USED ELECTRONICS		12,334.17
		\$599,642.50
	<u>OTHER</u>	
COMPOST SALES		\$55,507.20
INTEREST ON INVESTMENTS		8,647.26
RENTAL INCOME		44,262.00
GRANTS		0.00
MISC. INCOME		11,296.92
		119,713.38
TOTAL REVENUE		\$13,083,207.63
	<u>EXPENSES</u>	
MADISON HEIGHTS FACILITY		\$338,352.51
TROY TRANSFER FACILITY		2,142,394.06
MATERIAL RECOVERY FACILITY		569,284.43
HOUSEHOLD HAZARDOUS WASTE		149,701.48
COMPOST/LANDFILL FACILITY		233,244.96
ADMINISTRATIVE & GENERAL		561,249.93
COLLECTION CONTRACT EXPENSES		6,546,867.51
COLLECTION & DISPOSAL FEES IN TRANSIT		2,169,581.83
		\$12,710,676.71
NET INCOME BEFORE DEPRECIATION		\$372,530.92
DEPRECIATION		195,325.08
NET INCOME		\$177,205.84

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

<u>REVENUES</u>	TOTAL BUDGET <u>2014/15</u>	ACTUAL <u>6 MONTHS</u>	<u>BALANCE</u>	
MEMBERS SERVICES	\$17,053,000.00	\$11,531,408.48	\$5,521,591.52	68%
NON-MEMBER REFUSE	954,000.00	756,676.61	197,323.39	79%
<u>YARD WASTE</u>				
NON-MEMBERS	70,000.00	75,766.66	(5,766.66)	108%
<hr/>				
	\$18,077,000.00	\$12,363,851.75	\$5,713,148.25	
<u>RECYCLABLES</u>				
NEWSPAPERS	\$630,000.00	\$217,954.82	\$412,045.18	35%
BOXBOARD	210,000.00	68,565.50	141,434.50	33%
CARDBOARD	71,000.00	25,399.78	45,600.22	36%
PLASTIC	485,000.00	195,574.84	289,425.16	40%
SCRAP METAL	107,000.00	35,374.89	71,625.11	33%
TIN CANS	164,000.00	36,956.40	127,043.60	23%
NON FERROUS METAL	17,000.00	4,641.60	12,358.40	27%
GLASS	13,000.00	1,133.50	11,866.50	9%
BATTERIES	4,000.00	1,707.00	2,293.00	43%
USED ELECTRONICS	21,000.00	12,334.17	8,665.83	59%
<hr/>				
	\$1,722,000.00	\$599,642.50	\$1,122,357.50	35%
<u>OTHER</u>				
COMPOST SALES	\$60,000.00	\$55,507.20	\$4,492.80	93%
INTEREST ON INVESTMENTS	20,000.00	8,647.26	11,352.74	43%
RENTAL OF HOMES	95,000.00	44,262.00	50,738.00	47%
GRANTS	0.00	0.00	0.00	0%
MISC. INCOME	25,000.00	11,296.92	13,703.08	45%
<hr/>				
	\$200,000.00	\$119,713.38	\$80,286.62	60%
TOTAL REVENUES	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$19,999,000.00	\$13,083,207.63	\$6,915,792.37	65%

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

<u>EXPENSES</u>	<u>TOTAL BUDGET 2014/15</u>	<u>ACTUAL 3 MONTHS</u>	<u>BALANCE</u>	
MADISON HEIGHTS FACILITY	\$96,000.00	\$338,352.51	(\$242,352.51)	352%
TROY TRANSFER FACILITY	3,148,600.00	2,142,394.06	1,006,205.94	68%
MATERIAL RECOVERY FACILITY	1,192,050.00	569,284.43	622,765.57	48%
HOUSEHOLD HAZARDOUS WASTE	270,200.00	149,701.48	120,498.52	55%
COMPOST/LANDFILL FACILITY	428,900.00	233,244.96	195,655.04	54%
ADMINISTRATIVE & GENERAL	1,256,800.00	561,249.93	695,550.07	45%
COLLECTION & DISPOSAL FEES	12,528,000.00	6,546,867.51	5,981,132.49	52%
COLLECTION & DISPOSAL FEES IN TRANSIT	0.00	2,169,581.83	(2,169,581.83)	0%
	<u>\$18,920,550.00</u>	<u>\$12,710,676.71</u>	<u>\$6,209,873.29</u>	
 TOTAL EXPENDITURES	 <u>\$18,920,550.00</u>	 <u>\$12,710,676.71</u>	 <u>\$6,209,873.29</u>	 67%
 NET INCOME	 <u>\$1,078,450.00</u>	 <u>\$372,530.92</u>	 <u>\$705,919.08</u>	 35%

COMPARATIVE STATEMENT
 JULY 1, 2014 THROUGH DECEMBER 31, 2014

	<u>2014/15</u>	<u>2013/14</u>	<u>VARIANCES</u>
<u>REVENUES</u>			
MEMBER SERVICES	\$11,531,408.48	\$8,368,105.39	\$3,163,303.09
NON MEMBER REFUSE	756,676.61	652,380.66	104,295.95
<u>YARD WASTE</u>			
MEMBERS	0.00	0.00	0.00
OTHERS	75,766.66	63,246.60	12,520.06
	<hr/>	<hr/>	<hr/>
	\$12,363,851.75	\$9,083,732.65	\$3,280,119.10
<u>RECYCLABLES</u>			
NEWSPAPERS	\$217,954.82	\$218,351.44	(\$396.62)
BOXBOARD	68,565.50	63,205.74	5,359.76
CARDBOARD	25,399.78	34,162.72	(8,762.94)
PLASTIC	195,574.84	191,271.28	4,303.56
SCRAP METAL	35,374.89	34,891.98	482.91
TIN CANS	36,956.40	38,059.18	(1,102.78)
NON FERROUS METAL	4,641.60	5,507.48	(865.88)
GLASS	1,133.50	2,942.00	(1,808.50)
BATTERIES	1,707.00	2,481.35	(774.35)
USED ELECTRONICS	12,334.17	8,640.93	3,693.24
	<hr/>	<hr/>	<hr/>
	\$599,642.50	\$599,514.10	\$128.40
<u>OTHER</u>			
COMPOST SALES	\$55,507.20	\$32,043.50	\$23,463.70
INTEREST ON INVESTMENTS	8,647.26	10,487.04	(1,839.78)
RENTAL OF HOMES	44,262.00	42,811.00	1,451.00
GRANTS	0.00	0.00	0.00
MISC. INCOME	11,296.92	6,987.45	4,309.47
	<hr/>	<hr/>	<hr/>
	\$119,713.38	\$92,328.99	\$27,384.39
TOTAL REVENUES	\$13,083,207.63	\$9,775,575.74	\$3,307,631.89
OPERATING EXPENSES	\$12,710,676.71	\$9,646,668.78	\$3,064,007.93
EXCESS	<hr/>	<hr/>	<hr/>
	\$372,530.92	\$128,906.96	\$243,623.96

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

<u>MUNICIPALITY</u>	<u>TOTAL TONS</u>	<u>SERVICE CHARGES</u>
BERKLEY	8,024	\$755,904.73
BEVERLY HILLS	5,096	\$310,547.50
BIRMINGHAM	8,252	\$697,285.21
CLAWSON	5,606	\$568,209.17
FERNDAL	9,944	\$1,077,043.55
HAZEL PARK	6,153	\$665,290.49
HUNTINGTON WOODS	6,130	\$537,997.62
LATHRUP VILLAGE	1,717	\$139,353.35
OAK PARK	11,775	\$1,345,899.46
PLEASANT RIDGE	1,505	\$101,289.92
ROYAL OAK	28,024	\$3,100,705.50
TROY	23,710	2,231,881.98
	<hr/>	<hr/>
SUB-TOTAL	115,937	\$11,531,408.48
	<hr/>	<hr/>
OTHER CUSTOMERS	20,303	\$832,443.27
DROP OFF CENTERS	226	0.00
	<hr/>	<hr/>
TOTAL	136,466	\$12,363,851.75

EXPENDITURES

TS Driveway Replacement	\$4,948.26
MRF Conveyor Belt	\$51,210.16
MRF John Deere Loader	\$237,749.00
MRF New Paper Shredder	4,140.00
MRF Trailer for Hauling Shredder	5,029.33
MRF Generator for Traveling Shredder	5,800.00
CS Scarab Purchase	<u>228,032.22</u>
TOTAL	<u>\$536,908.97</u>