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QUARTERLY REPORT January 2013

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

Board of Trustees
SOCRRA

Subject: Quarterly Report - January 2013

Board Members:

Attached is a copy of SOCRRA's Quarterly Report covering the first six months operation of the 2012/13 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 loss for the first 6 months of 2012/13 was \$18,135, before depreciation. This is a significant decrease from the net income of \$495,663 that was recorded for the first 6 months of 2011/12. The net loss for the first 6 months was \$181,451 less than budgeted.

	<u>Actual</u>	<u>Compared to Budget</u>
Revenue	\$9,820,015	-\$ 52,207
Expenses	\$9,838,150	-\$233,658
Net Income	-\$18,135	+\$181,451

Revenue was lower than planned due to decreased revenue from the sale of recycled materials (-\$392,000) which was partially offset by increased non-member refuse tonnage from Car Trucking, Rizzo Services and Tringali Sanitation (+\$229,000), member services being greater than budgeted (+\$105,000), and non-member yard waste being greater than budgeted (+\$14,000).

Expenses were below budget primarily due to lower than planned costs for non-labor Administrative and General Expenses (-\$191,000), lower than planned contractor expenses (-\$140,000), and labor expenses (-\$8,000). These decreases were partially offset by increases in maintenance expenses (+\$83,000) and supplies (+\$22,000).

Total revenue for the first six months of 2012/13 decreased by \$66,000 compared to the first six months of 2011/12. This decrease was due to decreased revenue from the sale of recycled materials due to lower commodity prices (-\$365,000) and decreased compost sales (-\$60,000). These decreases were partially offset by higher revenue from the member communities (+\$328,000) due to the rate increase as of July 1, increased non-member refuse (+\$16,000), higher yard waste from non-members (+\$8,000) and rental of homes (+\$10,000).

Operating expenses for the first six months of 2012/13 were \$448,000 higher compared to the first six months of 2011/12 primarily due to higher contractor and disposal costs.

Additional financial detail is attached.

MATERIAL HANDLED

SOCRRA processed 106,467 tons of refuse, yard waste and recyclables during the first six months of the current fiscal year. This represents a decrease of 1.5% or 1,601 total tons compared to the same period last year. Member refuse decreased by 4.1% from the previous year. It appears as if the trend of decreasing member refuse is continuing. For the first half of this year, recycling tonnage from the member communities increased by 1.9%. Non-member refuse increased by 8.7% 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:

	2008/09	2009/10	2010/11	2011/12	2012/13
Member Refuse	57,068	55,082	54,326	55,319	53,039
Non-Member Refuse	3,874	6,204	15,469	13,431	14,600
Member Recycling	8,556	8,384	8,688	8,819	8,986
Non-Member Recycling	183	2,024	839	240	261
Yard Waste	<u>30,581</u>	<u>35,891</u>	<u>28,963</u>	<u>30,259</u>	<u>29,581</u>
TOTAL	100,262	107,585	108,285	108,068	106,467

CAPITAL EXPENDITURES

Capital expenditures for the first six months of the fiscal year totaled \$56,945 and were for the purchase of a new shuttle truck for the Troy Transfer Station (\$14,000), the final payments for the new loader at the compost site (\$13,000), the replacement of a portion of the driveway of the Troy Transfer Station (\$12,000), retention pond improvements at the Compost Site (\$8,000), the renovation of the MRF tour room (\$5,000) and the initial costs for relocating the compactor from Madison Heights to the cash customer area of the Troy Transfer Station (\$4,000).

MAJOR PROJECTS

RECYCLED COMMODITY PRICES

The prices that we receive for our recycled paper and plastic products have been very low throughout the first six months of this year. However, the prices for both paper and plastic have improved from the lowest prices, which were recorded in October of 2012. The prices are significantly below the prices assumed in our budget, so our revenue from the sale of recycled materials is almost \$400,000 below budget. 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 200,000 pounds of the mixed #1-#7 injection molded plastics material for recycling. We continue to have to pay to have this material recycled. We are working with several potential plastic recyclers in order to develop more than one outlet for this material.

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.

SOLAR PHOTOVOLTAIC SYSTEM AT THE COMPOST SITE

We worked with a developer of solar photovoltaic systems to submit a proposal to DTE for a very large solar system that would be constructed over one of our old landfills at our Compost

Site in Rochester Hills. DTE would own and operate the system, receive the energy generated by the system and pay SOCRRA a modest lease fee. This would be one of the largest solar photovoltaic systems in Michigan and would be an interesting use for a contaminated site. We are awaiting DTE's decision regarding our proposal.

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 972 recycling bins during the month of November which was a 50% increase from the number of bins sold during November of 2011.

FALL LEAF SEASON

The recently completed fall leaf season went extremely well. Our municipal crews and contractors were able to completely clean up the leaves in a very short period of time due to the great weather this fall. All of our collection and hauling contractors, the municipal crews, the member communities and the SOCRRA employees cooperated to make this leaf season very successful. 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.

REUSE OF SOCRRA'S MADISON HEIGHTS FACILITY

We are continuing to work with Rizzo Services to develop a plan for the reuse of SOCRRA's Madison Heights property as a transfer station and single stream recycling processing center. We have presented a conceptual design of a new facility to Madison Heights and we will be working with Madison Heights to ensure that issues important to them are addressed as we redevelop our property. We have contracted with RRS to update their single stream recycling feasibility study. Discussions with Rizzo are continuing. We hope to have a final plan ready to present to the Board during 2013.

SOCRRA'S ARTICLES OF INCORPORATION

We have completed the process of revising SOCRRA's Articles of Incorporation, which were last updated in 1976. This required that the Articles be approved by a unanimous vote of the Board and by the governing body of each member community. The final approval was obtained on December 3 and the revised Articles are now in effect.

USE OF OAKLAND COUNTY LOCAL GOVERNMENT INVESTMENT POOL

The Board approved the use of Oakland County's Local Government Investment Pool (LGIP) for investing a portion of SOCRRA's working capital and we have deposited a significant amount of money with the Pool. The LGIP offers a competitive interest rate, next day liquidity and is managed in compliance with Michigan statutes and SOCRRA's investment policy. While funds invested in the LGIP are not insured, having some of SOCRRA's uninsured funds in the LGIP will help to mitigate our level of risk.

ANNUAL AUDIT

The audit report for the 2011/12 fiscal year was completed by our auditors, Plante & Moran. This was the second 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 improved over the previous year and finally reached our goal level of 7.5% of annual expenditures. The liability

for landfill postclosure costs increased by \$452,000 due to higher than planned costs for leachate disposal. Despite that increase, the net assets of SOCRRA increased by \$186,000 during 2011/12.

RECYCLING LATEX PAINT

We have established a method of recycling the latex paint that is brought in to our household hazardous waste program. The vendor that receives the materials generated by this program delivers all of the latex paint to a company in western Michigan that blends the recycled paint into a product that is sold at Habitat for Humanity stores. We will be testing this recycling method for the next 12 months to determine if this will be a long term outlet for our latex paint.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

SOCRRA
STATEMENT OF INCOME
JULY 1, 2012 THROUGH DECEMBER 31, 2012

<u>REVENUES</u>	<u>ESTIMATED</u>	<u>ACTUAL</u>	<u>VARIANCES</u>
MEMBER SERVICES	\$8,396,922.00	\$8,501,442.15	\$104,520.15
NON-MEMBER REFUSE	365,000.00	593,615.87	228,615.87
NON MEMBER YARD WASTE	41,000.00	54,808.80	13,808.80
	<hr/> \$8,802,922.00	<hr/> \$9,149,866.82	<hr/> \$346,944.82
 <u>RECYCLING</u> 			
NEWSPAPERS	\$445,000.00	\$259,463.61	(\$185,536.39)
BOXBOARD	150,000.00	66,442.53	(\$83,557.47)
CARDBOARD	35,000.00	20,593.13	(14,406.87)
PLASTIC	222,000.00	163,351.01	(58,648.99)
SCRAP METAL	41,000.00	24,894.47	(16,105.53)
TIN CANS	67,000.00	34,465.43	(32,534.57)
NON FERROUS METAL	6,500.00	9,302.20	2,802.20
GLASS	5,000.00	4,652.00	(348.00)
BATTERIES	1,500.00	687.72	(812.28)
USED ELECTRONICS	7,000.00	4,364.81	(2,635.19)
	<hr/> \$980,000.00	<hr/> \$588,216.91	<hr/> (\$391,783.09)
 <u>OTHER</u> 			
REVENUES-COMPOST	\$23,000.00	\$23,644.00	\$644.00
INTEREST ON INVESTMENTS	7,500.00	5,361.10	(2,138.90)
RENTAL INCOME	45,800.00	43,132.50	(2,667.50)
GRANTS	0.00	0.00	0.00
MISC. INCOME	13,000.00	9,793.85	(3,206.15)
	<hr/> \$89,300.00	<hr/> \$81,931.45	<hr/> (\$7,368.55)
 TOTAL REVENUES	 <hr/> <hr/> \$9,872,222.00	 <hr/> <hr/> \$9,820,015.18	 <hr/> <hr/> (\$52,206.82)
 <u>EXPENSES</u> 			
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCES</u>
	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>	
MADISON HEIGHTS FACILITY	\$85,359.00	\$76,118.65	(\$9,240.35)
TROY TRANSFER FACILITY	1,040,820.00	1,270,227.26	229,407.26
MATERIAL RECOVERY FACILITY	516,010.00	587,449.49	71,439.49
HOUSEHOLD HAZARDOUS WASTE	116,925.00	111,928.30	(4,996.70)
COMPOST/LANDFILL FACILITY	181,081.00	236,327.15	55,246.15
ADMINISTRATIVE & GENERAL	689,528.00	452,198.09	(237,329.91)
COLLECTION FEES	5,135,549.00	5,029,154.14	(106,394.86)
COLLECTION & DISPOSAL FEES IN TRANSIT	2,306,536.00	2,074,746.77	(231,789.23)
	<hr/> \$10,071,808.00	<hr/> \$9,838,149.85	<hr/> (\$233,658.15)
 REVENUES OVER EXPENSES	 (\$199,586.00)	 (\$18,134.67)	 \$181,451.33
 NET INCOME BEFORE DEPRECIATION	 <hr/> <hr/> (\$199,586.00)	 <hr/> <hr/> (\$18,134.67)	 <hr/> <hr/> \$181,451.33

SOCRRA
STATEMENT OF INCOME
JULY 1, 2012 THROUGH DECEMBER 31, 2012

<u>REVENUE</u>	<u>TOTAL TONS</u>	<u>AMOUNT</u>
MEMBER SERVICES	53,038.77	\$8,501,442.15
NON-MEMBER REFUSE	14,599.59	593,615.87
<u>YARD WASTE</u>		
MEMBERS	29,071.78	0.00
OTHERS	509.20	54,808.80
<u>RECYCLABLES</u>		
MEMBERS	8,986.40	0.00
OTHERS	261.16	0.00
	106,466.90	\$9,149,866.82
<u>RECYCLING</u>		
NEWSPAPERS		\$259,463.61
BOXBOARD		\$66,442.53
CARDBOARD		20,593.13
PLASTIC		163,351.01
SCRAP METAL		24,894.47
TIN CANS		34,465.43
NON FERROUS METAL		9,302.20
GLASS		4,652.00
BATTERIES		687.72
USED ELECTRONICS		4,364.81
		\$588,216.91
<u>OTHER</u>		
COMPOST SALES		\$23,644.00
INTEREST ON INVESTMENTS		5,361.10
RENTAL INCOME		43,132.50
GRANTS		0.00
MISC. INCOME		9,793.85
		\$81,931.45
TOTAL REVENUE		\$9,820,015.18
<u>EXPENSES</u>		
MADISON HEIGHTS FACILITY		\$76,118.65
TROY TRANSFER FACILITY		1,270,227.26
MATERIAL RECOVERY FACILITY		587,449.49
HOUSEHOLD HAZARDOUS WASTE		111,928.30
COMPOST/LANDFILL FACILITY		236,327.15
ADMINISTRATIVE & GENERAL		452,198.09
COLLECTION CONTRACT EXPENSES		5,029,154.14
COLLECTION & DISPOSAL FEES IN TRANSIT		2,074,746.77
		\$9,838,149.85
NET INCOME BEFORE DEPRECIATION		(\$18,134.67)
DEPRECIATION		205,652.34
NET INCOME		(\$223,787.01)

SOCRRA
 STATEMENT OF REVENUES & EXPENDITURES
 COMPARED WITH TOTAL BUDGET
 JULY 1, 2012 THROUGH DECEMBER 31, 2012

<u>REVENUES</u>	<u>TOTAL BUDGET 2012/13</u>	<u>ACTUAL 6 MONTHS</u>	<u>BALANCE</u>	
MEMBERS SERVICES	\$16,793,838.00	\$8,501,442.15	\$8,292,395.85	51%
NON-MEMBER REFUSE	690,000.00	593,615.87	96,384.13	86%
<u>YARD WASTE</u>				
NON-MEMBERS	64,000.00	54,808.80	9,191.20	86%
<hr/>				
	\$17,547,838.00	\$9,149,866.82	\$8,397,971.18	
<u>RECYCLABLES</u>				
NEWSPAPERS	\$1,010,000.00	\$259,463.61	\$750,536.39	26%
BOXBOARD	320,000.00	66,442.53	253,557.47	
CARDBOARD	80,000.00	20,593.13	59,406.87	26%
PLASTIC	500,000.00	163,351.01	336,648.99	33%
SCRAP METAL	92,000.00	24,894.47	67,105.53	27%
TIN CANS	156,000.00	34,465.43	121,534.57	22%
NON FERROUS METAL	15,000.00	9,302.20	5,697.80	62%
GLASS	10,000.00	4,652.00	5,348.00	47%
BATTERIES	4,000.00	687.72	3,312.28	17%
USED ELECTRONICS	12,000.00	4,364.81	7,635.19	36%
<hr/>				
	\$2,199,000.00	\$588,216.91	\$1,610,783.09	27%
<u>OTHER</u>				
COMPOST SALES	\$50,000.00	\$23,644.00	\$26,356.00	47%
INTEREST ON INVESTMENTS	16,000.00	5,361.10	10,638.90	34%
RENTAL OF HOMES	92,000.00	43,132.50	48,867.50	47%
GRANTS	0.00	0.00	0.00	0%
MISC. INCOME	25,000.00	9,793.85	15,206.15	39%
<hr/>				
	\$183,000.00	\$81,931.45	\$101,068.55	45%
TOTAL REVENUES	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	49%

SOCRRA
 STATEMENT OF REVENUES & EXPENDITURES
 COMPARED WITH TOTAL BUDGET
 JULY 1, 2012 THROUGH DECEMBER 31, 2012

<u>EXPENSES</u>	<u>TOTAL BUDGET 2012/13</u>	<u>ACTUAL 6 MONTHS</u>	<u>BALANCE</u>	
MADISON HEIGHTS FACILITY	\$104,790.00	\$76,118.65	\$28,671.35	73%
TROY TRANSFER FACILITY	3,110,350.00	1,270,227.26	1,840,122.74	41%
MATERIAL RECOVERY FACILITY	1,066,530.00	587,449.49	479,080.51	55%
HOUSEHOLD HAZARDOUS WASTE	233,650.00	111,928.30	121,721.70	48%
COMPOST/LANDFILL FACILITY	399,414.00	236,327.15	163,086.85	59%
ADMINISTRATIVE & GENERAL	1,288,100.00	452,198.09	835,901.91	35%
COLLECTION & DISPOSAL FEES	12,690,919.00	5,029,154.14	7,661,764.86	40%
COLLECTION & DISPOSAL FEES IN TRANSIT	0.00	2,074,746.77	(2,074,746.77)	0%
	<u>\$18,893,753.00</u>	<u>\$9,838,149.85</u>	<u>\$9,055,603.15</u>	
TOTAL EXPENDITURES	<u>\$18,893,753.00</u>	<u>\$9,838,149.85</u>	<u>\$9,055,603.15</u>	52%
NET INCOME	<u>\$1,036,085.00</u>	<u>(\$18,134.67)</u>	<u>\$1,054,219.67</u>	-2%

S O C R R A
 COMPARATIVE STATEMENT
 JULY 1, 2012 THROUGH DECEMBER 31, 2012

	<u>2012/13</u>	<u>2011/12</u>	<u>VARIANCES</u>
<u>REVENUES</u>			
MEMBER SERVICES	\$8,501,442.15	\$8,173,490.04	\$327,952.11
NON MEMBER REFUSE	593,615.87	577,125.93	16,489.94
<u>YARD WASTE</u>			
MEMBERS	0.00	0.00	0.00
OTHERS	54,808.80	46,834.40	7,974.40
	<hr/>	<hr/>	<hr/>
	\$9,149,866.82	\$8,797,450.37	\$352,416.45
<u>RECYCLABLES</u>			
NEWSPAPERS	\$259,463.61	\$424,297.46	(\$164,833.85)
BOXBOARD	66,442.53	0.00	66,442.53
CARDBOARD	20,593.13	209,967.31	(189,374.18)
PLASTIC	163,351.01	216,041.90	(52,690.89)
SCRAP METAL	24,894.47	32,365.18	(7,470.71)
TIN CANS	34,465.43	55,513.68	(21,048.25)
NON FERROUS METAL	9,302.20	8,627.23	674.97
GLASS	4,652.00	2,786.25	1,865.75
BATTERIES	687.72	656.96	30.76
USED ELECTRONICS	4,364.81	3,030.94	1,333.87
	<hr/>	<hr/>	<hr/>
	\$588,216.91	\$953,286.91	(\$365,070.00)
<u>OTHER</u>			
COMPOST SALES	\$23,644.00	\$84,086.00	(\$60,442.00)
INTEREST ON INVESTMENTS	5,361.00	8,453.90	(3,092.90)
RENTAL OF HOMES	43,132.50	33,105.00	10,027.50
GRANTS	0.00	0.00	0.00
MISC. INCOME	9,793.85	9,808.76	(14.91)
	<hr/>	<hr/>	<hr/>
	\$81,931.35	\$135,453.66	(\$53,522.31)
TOTAL REVENUES	\$9,820,015.08	\$9,886,190.94	(\$66,175.86)
OPERATING EXPENSES	\$9,838,149.85	\$9,390,527.90	\$447,621.95
EXCESS	<hr/>	<hr/>	<hr/>
	(\$18,134.77)	\$495,663.04	(\$513,797.81)

SOCRRA
TOTAL SERVICE CHARGES
JULY 1, 2012 THROUGH DECEMBER 31, 2012

<u>MUNICIPALITY</u>	<u>TOTAL TONS</u>	<u>SERVICE CHARGES</u>
BERKLEY	5,019	\$442,739.98
BEVERLY HILLS	4,001	308,352.00
BIRMINGHAM	8,807	693,756.31
CLAWSON	4,555	369,816.05
FERNDALE	7,749	818,460.55
HAZEL PARK	4,617	537,744.00
HUNTINGTON WOODS	2,596	177,834.00
LATHRUP VILLAGE	1,652	136,676.00
OAK PARK	7,291	781,853.21
PLEASANT RIDGE	1,434	86,996.96
ROYAL OAK	21,270	2,133,034.88
TROY	22,107	2,014,078.21
	<hr/>	<hr/>
SUB-TOTAL	91,097	\$8,501,342.15
	<hr/>	<hr/>
OTHER CUSTOMERS	15,177	\$648,524.67
DROP OFF CENTERS	193	0.00
	<hr/>	<hr/>
TOTAL	106,467	\$9,149,866.82

SOCRRA
IMPROVEMENT FUND
JULY 1, 2012 THROUGH DECEMBER 31, 2012

EXPENDITURES

TS Driveway Replacement	\$12,188.83
TS Used Truck	\$14,000.00
MRF Cash Customer Bay/Compactor Wall	4,259.65
MRF Tour Room Renovation	5,291.07
CS Retention Pond	8,314.33
CS Equipment - Loader Payments	12,891.00
TOTAL	<u>\$56,944.88</u>