

**QUARTERLY REPORT**  
**January 2019**

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

Board of Trustees  
SOCRRA

Subject: Quarterly Report - January 2019

Board Members:

Attached is a copy of SOCRRA's Quarterly Report covering the first six months operation of the 2018/19 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 2018/19 was \$1,335,731 before depreciation. This is an increase from the net income of \$473,612 that was recorded for the first 6 months of 2016/17. The net income for the first 6 months was \$349,554 less than budgeted.

	<u>Actual</u>	<u>Compared to Budget</u>
Revenue	\$11,842,091	-\$ 434,515
Expenses	\$10,506,359	-\$ 84,961
Net Income	+\$1,335,732	-\$ 349,554

Revenue was higher than planned due to increased revenue from the member communities (+\$108,000), higher than planned non-member yard waste (+\$30,000) and miscellaneous income (+\$6,000). These increases were offset by lower than planned revenue from non-member refuse from Advanced Disposal, Car Trucking, Dinverno, Rizzo Services and Tringali Sanitation and our other cash customers (-\$214,000), lower than planned revenue from the sale of recyclables (-\$356,000) and lower interest on investments (-\$10,000).

Expenses were lower than budget primarily due to lower than planned costs for non-labor Administrative and General Expenses (-\$132,000), labor (-\$151,000), utilities (-\$30,000) and supplies (-\$6,000) which were partially offset by higher than planned costs for contractor expenses (+\$189,000) and maintenance (+\$44,000).

Total revenue for the first six months of 2018/19 increased by \$813,000 compared to the first six months of 2017/18. This increase was due to increased revenue from sale of recyclables due to the reopening of the MRF (+\$711,000), higher member revenue (+\$191,000), higher compost sales (+\$27,000), increased yard waste from non-members (+\$20,000) and increased miscellaneous revenue (+\$13,000). These increases were partially offset by decreases in non-member refuse revenue due to construction at the Troy Transfer Station (-\$129,000) and interest income due to the bond funds being spent for the MRF conversion project (-\$20,000).

Operating expenses for the first six months of 2018/19 were \$217,000 lower compared to the first six months of 2017/18. The decrease in expenses was primarily due to reduced contractor costs.

Additional financial detail is attached.

### **MATERIAL HANDLED**

SOCRRA processed 112,325 tons of refuse, yard waste and recyclables during the first six months of the current fiscal year. This represents a decrease of 0.5% or 595 total tons compared to the same period last year. Member recycling increased by 5.4% due to our residents making continued use of the new recycling carts. Member refuse decreased by 2.0% which is also partially due to the increase in member recycling tonnage. Non-member refuse decreased by 28% compared to last year due to the limited capacity at the Troy Transfer Station due to the replacement of one of the two refuse compactors, see discussion below.

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

	2014/15	2015/16	2016/17	2017/18	2018/19
Member Refuse	77,447	55,460	56,159	53,517	52,445
Non-Member Refuse	19,389	18,985	27,723	18,874	13,601
Member Recycling	9,005	9,729	10,018	11,841	12,483
Non-Member Recycling	263	227	257	591	272
Yard Waste	30,362	32,564	29,739	26,907	33,524
TOTAL	136,466	116,965	123,897	111,730	112,325

### **CAPITAL EXPENDITURES**

Capital expenditures for the first six months of the fiscal year totaled \$150,793 and for the rehabilitation of the Troy Transfer Station (\$140,000) and for the replacement of the roof for one of the rental houses adjacent to the Compost Site (\$10,000).

### **MAJOR PROJECTS**

#### **MRF OPERATIONS**

Overall, the new MRF continues to operate very well. The commodity markets, especially the paper market, continue to be very unstable due to a series of actions taken by the Chinese government that have severely restricted the import of recycled materials and by trade tariff actions taken by the US and China. We are continuing to receive very strong prices for our plastics and metals, particularly natural PE and PET plastics. We conducted a request for proposals for paper brokering services in October. As a result, we entered into a three-year agreement with Royal Oak Paper to broker all of our paper materials. This contract pays us a premium over market-based prices for all of our paper products and will result in additional revenue for SOCRRA. Having the Royal Oak Paper facility located so close to our MRF also enables us to promptly remove our completed materials when required, which is a significant advantage.

We are shipping a load of Sorted Office Paper each month. This material is from the paper shredder at the drop-off center and from the bags of shredded paper that are pulled off at the MRF pre-sort stations. This product is currently being sold for well over \$200 per ton, which is over 5 times the price we receive for our newspaper product.

Our glass is being recycled by Strategic Materials, which is located near Chicago. We will be working with Strategic and Machinex to determine if we need to keep running the glass clean-up system in its current configuration in order to meet Strategic's quality requirements as part of the development of an agreement with Strategic.

The curbside recycling tonnage has significantly increased as a result of the recycling carts being used by our residents. For the first six months of the fiscal year, the amount of recycling from the member communities increased by 5.4% compared to the same period last year. Trash tonnage from the member communities decreased by 2.0% for the same period continuing the trend that we have been observing since the recycling carts were distributed.

We have been awarded a \$45,000 grant by our insurance provider, the MMRMA, for a supplemental fire suppression system for the MRF. This system shoots foam at a hot spot identified by thermal imaging cameras that has been verified as a potential fire by a manual operator. It would be in the MRF tipping floor area and would monitor the feed hopper. This system should be installed in the first quarter of 2019.

We will be accepting recyclables from other communities during the first quarter of 2019. It appears that there is substantial demand for that service in the Metro Detroit area.

### **RECYCLING DROP-OFF CENTER**

We have received a \$50,000 grant from the Foam Recycling Coalition for a Styrofoam densifier and for some minor MRF modifications to allow us to recover Styrofoam from the material collected at curbside. We are currently developing plans for the installation of the densifier. SOCRRA recycled over 42,000 pounds of Styrofoam during 2018 making us the largest recycler of Styrofoam in Michigan. The densifier will make it much easier to handle this large volume of material and will greatly reduce the costs of transporting Styrofoam for recycling.

We conducted a request for proposals for Household Hazardous Waste (HHW) service for the materials we receive from residents at the drop-off center. The new HHW vendor began service on November 1 at a substantially reduced cost. The change in vendors was transparent to our residents.

We are also beginning to evaluate whether we should relocate our recycling drop-off center or construct an additional center at another location.

### **WASTE WIZARD**

The Waste Wizard feature on our website has been completed and has been live since August 15. It is also available as a smart phone app. The Wizard allows resident to determine the proper methods of recycling or disposing of a huge range of materials. Having the Wizard available appears to have reduced the volume of phone calls being made to the SOCRRA office.

### **TROY TRANSFER STATION**

We are continuing to work on the refurbishment of the Troy Transfer Station. The first phase of this project was the replacement of one of the compactors and replacing the concrete tipping floor near the compactor. This work was completed, and the compactor was put into service on December 18. SOCRRA personnel built the steel push wall and chute assembly that is used to get refuse to the compactor. This saved us a significant amount of money. The next phase of this project will be doing similar concrete replacement and the repair or replacement of the old compactor. We plan to complete this work during the winter months when the trash tonnage is lower than average.

### **FALL LEAF SEASON**

The recently completed fall leaf season went very well. Our municipal crews and contractors were able to almost completely clean up the leaves before December 21 when curbside collection of yard waste was completed for the year. 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 on Monday April 1. This service was used very heavily by our residents during the warmer period of early January.

### **PENSION FUNDING**

The SOCRRA Board approved some additional funding for the MERS Union pension plan and for the plan that provides pension benefits for the retired and active salaried employees that provided services to both SOCRRA and SOCWA. We have made incremental contributions to the salaried plan for the past 6 years and have significantly improved the plan funding level. This was the second incremental contribution to the union plan, which remains significantly underfunded. MERS will complete their actuarial study to determine the funding status of the pension plans before June 2019.

### **ANNUAL AUDIT**

The audit report for the 2017/18 fiscal year was completed by our auditors, Plante & Moran. 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 by \$1.9 million, which reduced the working capital to 3.7% of annual expenditures, which is below the goal level of 7.5%. We will be taking measures to increase our level of working capital in 2018/19. The net position of SOCRRA decreased by \$710,000 during 2017/18. The pension and OPEB funding levels as of June 30, 2018 were 67.1% for the union pension plan, 91.5% for the salaried pension plan, 84.8% for the union OPEB plan and 97.5% for the salaried OPEB plan. Each of these plans has been additionally funded in the current fiscal year.

Respectfully submitted,

Jeffrey A. McKeen, P.E.  
General Manager

Revenue & Expense Statement  
 Period: 07/01/18..12/31/18  
 SOCRRA

Description	Actual-Period	Budget-Period	Variance
<b>REVENUES</b>			
<b>MUNICIPAL REFUSE</b>			
MEMBER MSW	9,541,535.51	9,433,500.00	108,035.51
MONTHLY SURCHARGE	564,006.00	564,006.00	0.00
NON-MEMBER MSW	695,524.58	910,000.00	-214,475.42
NON-MEMBER YARD WASTE	70,597.13	41,000.00	29,597.13
	<b>10,871,663.22</b>	<b>10,948,506.00</b>	<b>-76,842.78</b>
<b>SALE OF RECYCLED MATERIAL</b>			
MIXED PAPER	42,860.05	100,000.00	-57,139.95
NEWSPAPER	125,037.81	220,000.00	-94,962.19
CARDBOARD	240,928.81	400,000.00	-159,071.19
PLASTICS	240,566.46	296,000.00	-55,433.54
SCRAP METAL	70,312.35	19,500.00	50,812.35
ALUMINUM CANS	37,150.83	47,000.00	-9,849.17
TIN CANS	41,062.17	74,000.00	-32,937.83
GLASS			
BATTERIES	4,869.00	2,100.00	2,769.00
ELECTRONICS			
	<b>802,787.48</b>	<b>1,158,600.00</b>	<b>-355,812.52</b>
<b>OTHER INCOME</b>			
COMPOST	60,817.00	60,000.00	817.00
RENTAL INCOME	62,174.00	60,000.00	2,174.00
INTEREST ON INVESTMENTS	27,074.42	37,500.00	-10,425.58
MISC INCOME	17,574.52	12,000.00	5,574.52
	<b>167,639.94</b>	<b>169,500.00</b>	<b>-1,860.06</b>
<b>TOTAL REVENUES</b>	<b>11,842,090.64</b>	<b>12,276,606.00</b>	<b>-434,515.36</b>
<b>EXPENSES</b>			
MADISON HEIGHTS TRANSFER STATION	129,539.54	139,600.00	-10,060.46
TROY TRANSFER STATION	1,243,489.26	1,462,250.00	-218,760.74
MATERIAL RECOVERY FACILITY	929,732.96	969,400.00	-39,667.04
HOUSEHOLD HAZARDOUS WASTE	267,441.16	241,300.00	26,141.16
COMPOST FACILITY	284,221.01	254,410.00	29,811.01
ADMINISTRATIVE AND GENERAL	601,914.16	750,700.00	-148,785.84
COLLECTION CONTRACT EXPENSES	4,632,020.81	4,915,660.00	-283,639.19
IN TRANSIT	2,418,000.00	1,858,000.00	560,000.00
	<b>10,506,358.90</b>	<b>10,591,320.00</b>	<b>-84,961.10</b>
<b>REVENUE OVER EXPENSES</b>	<b>1,335,731.74</b>	<b>1,685,286.00</b>	<b>-349,554.26</b>

Revenue & Expense Statement

Period: 07/01/18..12/31/18  
 SOCRRA

Description	Total Tons	Amount
<b>REVENUE</b>		
MEMBER SERVICES	52,444.52	10,105,541.50
NON-MEMBER REFUSE	13,601.38	695,524.58
<b>YARD WASTE</b>		
		70,597.13
MEMBERS	32,317.54	
OTHERS	1,206.83	
<b>RECYCLING</b>		
MEMBERS	12,482.55	
OTHERS	271.77	
	<b>112,324.59</b>	<b>10,871,663.21</b>
<b>SALE OF RECYCLED MATERIAL</b>		
MIXED PAPER		42,860.05
NEWSPAPER		125,037.81
CARDBOARD		240,928.81
PLASTICS		240,566.46
SCRAP METAL		70,312.35
ALUMINUM CANS		37,150.83
TIN CANS		41,062.17
GLASS		
BATTERIES		4,869.00
ELECTRONICS		
		<b>802,787.48</b>
<b>OTHER</b>		
COMPOST		60,817.00
RENTAL INCOME		62,174.00
INTEREST ON INVESTMENTS		27,074.42
MISC INCOME		17,574.52
		<b>167,639.94</b>
<b>TOTAL REVENUES</b>		<b>11,842,090.63</b>
<b>EXPENSES</b>		
MADISON HEIGHTS TRANSFER STATION		129,539.54
TROY TRANSFER STATION		1,243,489.26
MATERIAL RECOVERY FACILITY		929,732.96
HOUSEHOLD HAZARDOUS WASTE		267,441.16
COMPOST FACILITY		284,221.01
ADMINISTRATIVE AND GENERAL		601,914.16
COLLECTION CONTRACT EXPENSES		4,632,020.81
IN TRANSIT		2,418,000.00
<b>TOTAL EXPENSES</b>		<b>10,506,358.90</b>
<b>REVENUE OVER EXPENSES</b>		<b>1,335,731.73</b>

Revenue & Expense Statement

Period: 07/01/18..06/30/19

SOCRRA

Description	Actual 6 Months	Budget-Period	Balance	
<b>REVENUES</b>				
<b>MUNICIPAL REFUSE</b>				
MEMBER MSW	9,541,535.51	18,867,000.00	9,325,464.49	51%
MONTHLY SURCHARGE	564,006.00	1,128,012.00	564,006.00	50%
NON-MEMBER MSW	695,524.58	1,700,000.00	1,004,475.42	41%
NON-MEMBER YARD WASTE	70,597.13	85,000.00	14,402.87	83%
	<b>10,871,663.22</b>	<b>21,780,012.00</b>	<b>10,908,348.78</b>	
<b>SALE OF RECYCLED MATERIAL</b>				
MIXED PAPER	42,860.05	190,000.00	144,901.03	23%
NEWSPAPER	125,037.81	440,000.00	314,095.38	28%
CARDBOARD	240,928.81	800,000.00	558,573.85	30%
PLASTICS	240,566.46	590,000.00	323,604.11	41%
SCRAP METAL	70,312.35	40,000.00	(28,276.82)	176%
ALUMINUM CANS	37,150.83	93,000.00	56,231.98	40%
TIN CANS	41,062.17	146,000.00	105,320.65	28%
GLASS				
BATTERIES	4,869.00	4,000.00	(869.00)	122%
ELECTRONICS				
	<b>802,787.48</b>	<b>2,303,000.00</b>	<b>1,500,212.52</b>	35%
<b>OTHER INCOME</b>				
COMPOST	60,817.00	150,000.00	81,473.00	41%
RENTAL INCOME	62,174.00	120,000.00	57,826.00	52%
INTEREST ON INVESTMENTS	27,074.42	75,000.00	46,971.04	36%
MISC INCOME	17,574.52	25,000.00	7,044.38	70%
	167,639.94	370,000.00	202,360.06	45%
<b>TOTAL REVENUES</b>	<b>11,842,090.64</b>	<b>24,453,012.00</b>	<b>12,610,921.36</b>	48%
<b>EXPENSES</b>				
MADISON HEIGHTS TRANSFER STATION	129,539.54	257,550.00	128,010.46	50%
TROY TRANSFER STATION	1,243,489.26	3,903,250.00	2,659,760.74	32%
MATERIAL RECOVERY FACILITY	929,732.96	1,915,700.00	985,967.04	49%
HOUSEHOLD HAZARDOUS WASTE	267,441.16	481,100.00	213,658.84	56%
COMPOST FACILITY	284,221.01	498,270.00	214,048.99	57%
ADMINISTRATIVE AND GENERAL	601,914.16	1,408,600.00	806,685.84	43%
COLLECTION CONTRACT EXPENSES	4,632,020.81	13,546,985.00	8,914,964.19	34%
	8,088,358.90	22,011,455.00	13,923,096.10	37%
<b>REVENUE OVER EXPENSES</b>	<b>3,753,731.74</b>	<b>2,441,557.00</b>	<b>(1,312,174.74)</b>	154%



Revenue & Expense Statement  
 Period: 07/01/18..12/31/18  
 SOCRRA

Description	2018/2019	2017/2018	Variance
<b>REVENUES</b>			
<b>MUNICIPAL REFUSE</b>			
MEMBER MSW	9,541,535.51	9,243,145.34	298,390.17
MONTHLY SURCHARGE	564,006.00	671,361.00	-107,355.00
NON-MEMBER MSW	695,524.58	824,367.91	-128,843.33
NON-MEMBER YARD WASTE	70,597.13	50,557.40	20,039.73
	<b>10,871,663.22</b>	<b>10,789,431.65</b>	<b>82,231.57</b>
<b>SALE OF RECYCLED MATERIAL</b>			
MIXED PAPER	42,860.05	0.00	42,860.05
NEWSPAPER	125,037.81	13,867.13	111,170.68
CARDBOARD	240,928.81	37,865.02	203,063.79
PLASTICS	240,566.46	0.00	240,566.46
SCRAP METAL	70,312.35	34,664.35	35,648.00
ALUMINUM CANS	37,150.83	0.00	37,150.83
TIN CANS	41,062.17	0.00	41,062.17
GLASS			
BATTERIES	4,869.00	5,652.40	-783.40
ELECTRONICS			
	<b>802,787.48</b>	<b>92,048.90</b>	<b>710,738.58</b>
<b>OTHER INCOME</b>			
COMPOST	60,817.00	33,378.00	27,439.00
RENTAL INCOME	62,174.00	62,740.00	-566.00
INTEREST ON INVESTMENTS	27,074.42	47,427.33	-20,352.91
MISC INCOME	17,574.52	4,191.75	13,382.77
	<b>167,639.94</b>	<b>147,737.08</b>	<b>19,902.86</b>
<b>TOTAL REVENUES</b>	<b>11,842,090.64</b>	<b>11,029,217.63</b>	<b>812,873.01</b>
<b>EXPENSES</b>			
MADISON HEIGHTS TRANSFER STATION	129,539.54	115,860.59	13,678.95
TROY TRANSFER STATION	1,243,489.26	1,371,950.06	-128,460.80
MATERIAL RECOVERY FACILITY	929,732.96	785,186.17	144,546.79
HOUSEHOLD HAZARDOUS WASTE	267,441.16	251,526.96	15,914.20
COMPOST FACILITY	284,221.01	309,772.87	-25,551.86
ADMINISTRATIVE AND GENERAL	601,914.16	604,625.51	-2,711.35
COLLECTION CONTRACT EXPENSES	4,632,020.81	4,866,188.34	-234,167.53
	<b>8,088,358.90</b>	<b>8,305,110.50</b>	<b>-216,751.60</b>
<b>REVENUE OVER EXPENSES</b>	<b>3,753,731.74</b>	<b>2,724,107.13</b>	<b>1,029,624.61</b>

SOCRRA  
TOTAL SERVICE CHARGES  
JULY 1, 2018 THROUGH DECEMBER 31, 2018

<b>MUNICIPALITY</b>	<b>TOTAL TONS</b>	<b>SERVICE CHARGES</b>
BERKLEY	5,678.34	535,810.00
BEVERLY HILLS	4,135.41	368,262.00
BIRMINGHAM	9,565.54	825,631.75
CLAWSON	4,596.00	461,217.64
FERNDAL	7,659.44	992,376.94
HAZEL PARK	4,533.92	632,401.20
HUNTINGTON WOODS	2,627.65	197,532.18
LATHRUP VILLAGE	1,784.81	163,690.32
OAK PARK	7,915.76	939,864.69
PLEASANT RIDGE	1,436.83	104,585.22
ROYAL OAK	23,610.66	2,435,013.67
TROY	23,700.25	2,460,157.00
SUB-TOTAL	<u>97,244.61</u>	<u>10,116,542.61</u>
OTHER CUSTOMERS	<u>15,079.98</u>	<u>766,122.00</u>
TOTAL	<u><u>112,324.59</u></u>	<u><u>10,882,664.61</u></u>

SOUTHEASTERN OAKLAND COUNTY RESOURCE RECOVERY AUTHORITY

Period: 7/1/18-12/31/18

FIXED ASSET EXPENDITURES

Construction in Progress

TROY TRANSFER STATION REHABILITATION	140,201.50
Rental Roof	9,800.00
MRF PROJECT	791.78
TOTAL	<hr/> 150,793.28