

QUARTERLY REPORT April 2011

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J. A. McKeen	General Manager
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April 2011

Board of Trustees
SOCRRA

Subject: Quarterly Report – April 2011

Board Members:

Attached is a copy of SOCRRA's Quarterly Report, covering the first nine months operation of the fiscal year 2010/11. 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 2010/11 was \$699,417 before capital expenses and depreciation, which is \$67,790 less than budgeted. This is \$43,637 less than the net income reported for the first nine months of 2009/10.

	<u>Actual</u>	<u>Compared to Budget</u>
Revenue	\$14,133,090	+ \$408,922
Expenses	\$13,433,673	+ \$476,712
Net Operating Income	\$ 699,417	- \$ 67,790

The increase in revenue was due primarily to receiving higher than budgeted non-member refuse (+\$423,000), member revenue (+\$77,000), grant revenue (+\$15,000) and compost sales (+\$11,000). These increases were partially offset by decreases in revenue from the sale of recycled materials (-\$90,000) and in non-member yard waste (-\$25,000). Revenue from the sale of recycled material totaled \$1.20 million, which is a 4% decrease over the amount generated for the first nine months of 2009/10, and was 8.5% of total revenue. Additional information on the prices for our recycled materials is in the Major Projects area of this report.

Expenses were significantly over budget with increases in contract expenses (+\$234,000), maintenance (+\$138,000), labor (+\$95,000), and utilities (+\$32,000). These increases were partially offset by decreases in supplies (-\$12,000) and in non-labor Administrative & General expense (-\$9,000). Additional financial detail is attached.

As of March 25, 2011, our working capital was 7.9% based on unrestricted assets. This is slightly above the 7.5% working capital goal approved by the Board and is an improvement over the 6.6% as of March 25, 2010.

MATERIAL HANDLED

The Authority processed 141,455 tons of refuse, yard waste and recyclables during the first nine months of the current fiscal year. This represents an increase of 2.9% or 3,967 total tons compared to the same period last year. This is the second consecutive increase in tonnage handled we have seen after five years of decreasing tonnage. Refuse tonnage from the member communities decreased by 0.6%, which is a much lower rate of decrease than we have been experiencing. We had a large increase (218%) in non-member refuse tonnage, primarily from Rizzo Services and Tringali Sanitation. This increase was due to the Detroit incinerator being closed for several months. Recycling tonnage from the member communities increased by 3% compared to 2009/10. Over this five year period in the table below, member refuse has decreased by 15.8%.

July 1 Through March 31

	2006/07	2007/08	2008/09	2009/10	2010/11
Member Refuse	91,592	85,227	80,965	77,638	77,139
Non-Member Refuse	6,531	5,021	5,161	8,608	21,596
Member Recycling	11,781	11,737	12,507	12,346	12,716
Non-Member Recycling	188	300	521	2,815	941
Yard Waste	<u>28,572</u>	<u>30,410</u>	<u>31,072</u>	<u>36,081</u>	<u>29,063</u>
TOTAL	138,664	132,695	130,226	137,488	141,455

CAPITAL EXPENDITURES

Capital expenditures for the first nine months of the fiscal year totaled \$140,721 and were for partial payments for the new horizontal grinder (\$75,000) and the new loader (\$33,000) at the Compost Site, a new switcher truck at the Troy Transfer Station (\$10,000), a new paper shredder at the recycling drop off center (\$8,000), the purchase of the materials for relining the MRF baler (\$6,000), the replacement of a portion of the driveway to the Troy Transfer Station (\$6,000) and the first payment for the street sweeper for the Troy site (\$3,000).

MAJOR PROJECTS

RECYCLED COMMODITY PRICES

During the first nine months of 2010/11, the prices that we receive for our recycled materials fell for the first 2-3 months and then have increased significantly for the remaining seven months. Comparing March 2011 to July 2010, the price for paper has increased by 82%, natural HDPE (milk jugs) increased by 46%, colored HDPE (detergent containers) increased by 32% and PET (water bottles) increased by 165%. Metal prices have also increased significantly during the fiscal year. As of March, the prices for all of our recycled materials except for glass are significantly above budget. We are continuing to have to pay to recycle our glass. 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.

We are continuing to have to pay to recycle our stream of mixed #1 to #7 injection molded plastics. As of November, we are able to recycle all of this material as it is produced.

PROCESSING MATERIALS FROM OTHER COMMUNITIES

Both Rizzo Services and Tringali Sanitation are continuing to bring us a significant amount of refuse from outside of the SOCRRA communities under contracts that run through June 30, despite the reopening of the Detroit incinerator. Tringali has indicated that they do not plan to renew their contract past its June 30 expiration date. The incremental revenue from Rizzo and Tringali will help us to offset the fixed costs of running the Troy Transfer Station.

ELECTRONICS RECYCLING

Materials Processing Corporation began their 12 month contract for recycling our electronics on February 1, 2011. Under this contract, we are being paid a small amount for our electronics. Although the revenue from electronics recycling will be small, we have eliminated the \$60,000 annual expense that we incurred under our previous contract. One of the reasons that we are now being paid for our electronics is that the State of Michigan enacted legislation that requires manufacturers of televisions and computer equipment to have “take back” programs in place as of April of 2010.

EECBG RECYCLING GRANT

The final report for the Energy Efficiency Community Block Grant (EECBG) received by Huntington Woods, Pleasant Ridge and Beverly Hills has been completed and submitted to the State of Michigan. We are awaiting the final reimbursement payment from the State. The single stream recycling pilots conducted in Beverly Hills and Huntington Woods were very successful with increased recycling tonnage and resident participation. We conducted two surveys of the residents in the pilot areas. Both surveys indicated that the residents were extremely satisfied with single stream recycling using the 65 gallon recycling carts. Over 94% of the residents responding preferred this method of recycling to the current method of using 18 gallon recycling bins. Both Beverly Hills and Huntington Woods are exploring expanding single stream recycling using carts for all of their residents.

We also completed a feasibility study of converting our recycling system to single stream using carts. As part of the feasibility study, Resource Recycling Systems (RRS) completed a detailed financial model of the SOCRRA system that was used to evaluate numerous scenarios. RRS also completed a thorough review of single stream equipment options for SOCRRA’s MRF that resulted in three proposals from equipment vendors. A capital cost of \$8 million for the conversion of the MRF to single stream operation was developed for use in the financial modeling.

The conclusion reached by RRS in the feasibility study is that converting the SOCRRA recycling system to single stream operation results in a positive change in SOCRRA’s fund balance over a 10 year period in all scenarios examined except for transferring the commingled single stream material to RRRASOC for processing. Each of the scenarios requires a short term investment in

order to pay for the conversion costs. SOCRRA staff will be developing a recommendation as to how to proceed with the implementation of single stream recycling that will be brought to the Board for review at a later date.

The commercial recycling pilot in Pleasant Ridge resulted in 15 businesses beginning recycling programs. Follow-up activities by the SOCRRA staff since the end of the grant have resulted in an additional 17 businesses starting recycling programs. The SOCRRA staff also learned many lessons that have been applied in the Berkley EECBG project, see below.

The City of Berkley also was awarded an EECBG that included a project to develop commercial recycling in Berkley. As of the end of March, 93 Berkley businesses have begun recycling as a result of the work done by the SOCRRA staff on this project. We are continuing follow-up activities with Berkley businesses with our goal being to start 200 business recycling programs through this grant.

LANDFILL CLOSURE

In late December, we received a letter from the MDEQ that denied the landfill closure that we requested over 5 years ago. The letter identifies four reasons for the denial. Two appear to be minor issues that should be easy to resolve. We have met several times with our landfill closure consultant and with the MDEQ to review the issues before deciding how to respond formally to the MDEQ. Given the lack of response from the MDEQ since 2005, we have been maintaining the landfill as being closed and the MDEQ field inspectors have identified the landfill as being closed in each of the quarterly inspections that have been completed since then.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

SOCRRA
STATEMENT OF INCOME
JULY 1, 2010 THROUGH MARCH 31, 2011

<u>REVENUES</u>	<u>ESTIMATED</u>	<u>ACTUAL</u>	<u>VARIANCES</u>
MEMBER SERVICES	\$11,831,418.00	\$11,908,047.53	\$76,629.53
NON-MEMBER REFUSE	420,000.00	842,858.12	422,858.12
NON MEMBER YARD WASTE	60,000.00	34,786.60	(25,213.40)
	<u>\$12,311,418.00</u>	<u>\$12,785,692.25</u>	<u>\$474,274.25</u>
<u>RECYCLING</u>			
NEWSPAPERS	\$750,000.00	\$597,258.95	(\$152,741.05)
PLASTICS	238,000.00	256,987.51	18,987.51
CARDBOARD	124,000.00	179,401.17	55,401.17
TIN CANS	80,000.00	95,849.01	15,849.01
SCRAP METAL	59,000.00	53,362.32	(5,637.68)
NON FERROUS METAL	17,500.00	4,515.71	(12,984.29)
GLASS	13,500.00	7,287.57	(6,212.43)
ELECTRONICS	0.00	249.90	249.90
BATTERIES	3,500.00	1,002.27	(2,497.73)
	<u>\$1,285,500.00</u>	<u>\$1,195,914.41</u>	<u>(\$89,585.59)</u>
<u>OTHER</u>			
REVENUES-COMPOST	\$25,000.00	\$36,309.00	\$11,309.00
INTEREST ON INVESTMENTS	11,250.00	11,213.54	(36.46)
RENTAL INCOME	72,000.00	69,206.89	(2,793.11)
GRANTS	0.00	14,735.98	14,735.98
MISC. INCOME	19,000.00	20,018.17	1,018.17
	<u>\$127,250.00</u>	<u>\$151,483.58</u>	<u>\$24,233.58</u>
TOTAL REVENUES	<u>\$13,724,168.00</u>	<u>\$14,133,090.24</u>	<u>\$408,922.24</u>
<u>EXPENSES</u>			
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCES</u>
	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>	
MADISON HEIGHTS FACILITY	\$106,291.00	\$119,097.41	\$12,806.41
TROY TRANSFER FACILITY	1,645,830.00	1,923,329.54	277,499.54
MATERIAL RECOVERY FACILITY	669,041.00	831,566.25	162,525.25
HOUSEHOLD HAZARDOUS WASTE	191,126.00	209,165.16	18,039.16
COMPOST/LANDFILL FACILITY	280,830.00	315,947.38	35,117.38
ADMINISTRATIVE & GENERAL	1,062,418.00	1,042,629.03	(19,788.97)
COLLECTION FEES	7,519,018.00	7,386,048.49	(132,969.51)
COLLECTION & DISPOSAL FEES IN TRANSIT	1,482,407.00	1,605,889.55	123,482.55
	<u>\$12,956,961.00</u>	<u>\$13,433,672.81</u>	<u>\$476,711.81</u>
REVENUES OVER EXPENSES	\$767,207.00	\$699,417.43	(\$67,789.57)
NET INCOME BEFORE DEPRECIATION	<u>\$767,207.00</u>	<u>\$699,417.43</u>	<u>(\$67,789.57)</u>

SOCRRA
STATEMENT OF INCOME
JULY 1, 2010 THROUGH MARCH 31, 2011

<u>REVENUE</u>	<u>TOTAL TONS</u>	<u>AMOUNT</u>
MEMBER SERVICES	77,138.66	\$11,908,047.53
NON-MEMBER REFUSE	21,596.33	842,858.12
<u>YARD WASTE</u>		
MEMBERS	28,571.99	0.00
OTHERS	491.22	34,786.60
<u>RECYCLABLES</u>		
MEMBERS	12,716.14	0.00
OTHERS	941.11	0.00
	141,455.45	\$12,785,692.25
<u>RECYCLING</u>		
NEWSPAPERS		\$597,258.95
PLASTICS		256,987.51
CARDBOARD		179,401.17
TIN CANS		95,849.01
SCRAP METAL		53,362.32
NON FERROUS METAL		4,515.71
GLASS		7,287.57
ELECTRONICS		249.90
BATTERIES		1,002.27
		\$1,195,914.41
<u>OTHER</u>		
COMPOST SALES		\$36,309.00
INTEREST ON INVESTMENTS		11,213.54
RENTAL INCOME		69,206.89
GRANTS		14,735.98
MISC. INCOME		20,018.17
		\$151,483.58
TOTAL REVENUE		\$14,133,090.24
<u>EXPENSES</u>		
MADISON HEIGHTS FACILITY		\$119,097.41
TROY TRANSFER FACILITY		1,923,329.54
MATERIAL RECOVERY FACILITY		831,566.25
HOUSEHOLD HAZARDOUS WASTE		209,165.16
COMPOST/LANDFILL FACILITY		315,947.38
ADMINISTRATIVE & GENERAL		1,042,629.03
COLLECTION CONTRACT EXPENSES		7,386,048.49
COLLECTION & DISPOSAL FEES IN TRANSIT		1,605,889.55
		\$13,433,672.81
NET INCOME BEFORE DEPRECIATION		\$699,417.43
DEPRECIATION		317,508.84
NET INCOME		\$381,908.59

SOCRRA
 STATEMENT OF REVENUES & EXPENDITURES
 COMPARED WITH TOTAL BUDGET
 JULY 1, 2010 THROUGH MARCH 31, 2011

<u>REVENUES</u>	<u>TOTAL BUDGET 2010/11</u>	<u>ACTUAL 9 MONTHS</u>	<u>BALANCE</u>	
MEMBERS SERVICES	\$15,775,221.00	\$11,908,047.53	\$3,867,173.47	75%
NON-MEMBER REFUSE	590,000.00	842,858.12	(252,858.12)	143%
<u>YARD WASTE</u>				
NON-MEMBERS	75,000.00	34,786.60	40,213.40	46%
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	\$16,440,221.00	\$12,785,692.25	\$3,654,528.75	
<u>RECYCLABLES</u>				
NEWSPAPERS	\$1,150,000.00	\$597,258.95	\$552,741.05	52%
PLASTICS	358,000.00	256,987.51	101,012.49	72%
CARDBOARD	190,000.00	179,401.17	10,598.83	94%
TIN CANS	120,000.00	95,849.01	24,150.99	80%
SCRAP METAL	89,000.00	53,362.32	35,637.68	60%
NON FERROUS METAL	25,000.00	4,515.71	20,484.29	18%
GLASS	21,000.00	7,287.57	13,712.43	35%
ELECTRONICS	0.00	249.90	(249.90)	0%
BATTERIES	5,000.00	1,002.27	3,997.73	20%
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	\$1,958,000.00	\$1,195,914.41	\$762,085.59	61%
<u>OTHER</u>				
COMPOST SALES	\$40,000.00	\$36,309.00	\$3,691.00	91%
INTEREST ON INVESTMENTS	15,000.00	11,213.54	3,786.46	75%
RENTAL OF HOMES	95,800.00	69,206.89	26,593.11	72%
GRANTS	0.00	14,735.98	(14,735.98)	0%
MISC. INCOME	25,000.00	20,018.17	4,981.83	80%
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	\$175,800.00	\$151,483.58	\$24,316.42	86%
TOTAL REVENUES	<hr/> <hr/> \$18,574,021.00	<hr/> <hr/> \$14,133,090.24	<hr/> <hr/> \$4,440,930.76	76%

SOCRRA
 STATEMENT OF REVENUES & EXPENDITURES
 COMPARED WITH TOTAL BUDGET
 JULY 1, 2010 THROUGH MARCH 31, 2011

<u>EXPENSES</u>	<u>TOTAL BUDGET 2010/11</u>	<u>ACTUAL 9 MONTHS</u>	<u>BALANCE</u>	
MADISON HEIGHTS FACILITY	\$126,225.00	\$119,097.41	\$7,127.59	94%
TROY TRANSFER FACILITY	2,762,272.00	1,923,329.54	838,942.46	70%
MATERIAL RECOVERY FACILITY	940,765.00	831,566.25	109,198.75	88%
HOUSEHOLD HAZARDOUS WASTE	276,206.00	209,165.16	67,040.84	76%
COMPOST/LANDFILL FACILITY	405,470.00	315,947.38	89,522.62	78%
ADMINISTRATIVE & GENERAL	1,403,400.00	1,042,629.03	360,770.97	74%
COLLECTION & DISPOSAL FEES	11,735,213.00	7,386,048.49	4,349,164.51	63%
COLLECTION & DISPOSAL FEES IN TRANSIT	0.00	1,605,889.55	(1,605,889.55)	0%
	<u>\$17,649,551.00</u>	<u>\$13,433,672.81</u>	<u>\$4,215,878.19</u>	
TOTAL EXPENDITURES	<u>\$17,649,551.00</u>	<u>\$13,433,672.81</u>	<u>\$4,215,878.19</u>	76%
NET INCOME	<u>\$924,470.00</u>	<u>\$699,417.43</u>	<u>\$225,052.57</u>	76%

S O C R R A
 COMPARATIVE STATEMENT
 JULY 1, 2010 THROUGH MARCH 31, 2011

	<u>2010/11</u>	<u>2009/10</u>	<u>VARIANCES</u>
<u>REVENUES</u>			
MEMBER SERVICES	\$11,908,047.53	\$11,644,419.85	\$263,627.68
NON MEMBER REFUSE	842,858.12	472,412.02	370,446.10
<u>YARD WASTE</u>			
MEMBERS	0.00	0.00	0.00
OTHERS	34,786.60	40,917.40	(6,130.80)
	<hr/> \$12,785,692.25	<hr/> \$12,157,749.27	<hr/> \$627,942.98
<u>RECYCLABLES</u>			
NEWSPAPERS	\$597,258.95	\$823,743.04	(\$226,484.09)
PLASTICS	256,987.51	180,330.44	76,657.07
CARDBOARD	179,401.17	92,655.50	86,745.67
TIN CANS	95,849.01	61,909.30	33,939.71
SCRAP METAL	53,362.32	57,384.75	(4,022.43)
NON FERROUS METAL	4,515.71	11,428.88	(6,913.17)
GLASS	7,287.57	14,954.58	(7,667.01)
ELECTRONICS	249.90	0.00	249.90
BATTERIES	1,002.27	2,973.46	(1,971.19)
	<hr/> \$1,195,914.41	<hr/> \$1,245,379.95	<hr/> (\$49,465.54)
<u>OTHER</u>			
COMPOST SALES	\$36,309.00	\$25,852.00	\$10,457.00
INTEREST ON INVESTMENTS	11,213.54	11,624.64	(411.10)
RENTAL OF HOMES	69,206.89	67,152.76	2,054.13
GRANTS	14,735.98	0.00	14,735.98
MISC. INCOME	20,018.17	161,914.79	(141,896.62)
	<hr/> \$151,483.58	<hr/> \$266,544.19	<hr/> (\$115,060.61)
TOTAL REVENUES	\$14,133,090.24	\$13,669,673.41	\$463,416.83
OPERATING EXPENSES	\$13,433,672.81	\$12,926,619.14	\$507,053.67
EXCESS	<hr/> <hr/> \$699,417.43	<hr/> <hr/> \$743,054.27	<hr/> <hr/> (\$43,636.84)

SOCRRA
TOTAL SERVICE CHARGES
JULY 1, 2010 THROUGH MARCH 31, 2011

<u>MUNICIPALITY</u>	<u>TOTAL TONS</u>	<u>SERVICE CHARGES</u>
BERKLEY	6,222	\$619,097.98
BEVERLY HILLS	4,966	437,344.02
BIRMINGHAM	11,059	982,443.06
CLAWSON	5,617	516,919.96
FERNDALE	10,194	1,156,610.92
HAZEL PARK	6,367	760,896.00
HUNTINGTON WOODS	3,260	247,140.00
LATHRUP VILLAGE	2,200	193,072.00
OAK PARK	10,000	1,092,970.04
PLEASANT RIDGE	1,540	122,167.88
ROYAL OAK	27,125	2,960,219.10
TROY	29,876	2,819,166.57
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SUB-TOTAL	118,427	\$11,908,047.53
	<hr/>	<hr/>
OTHER CUSTOMERS	22,830	\$877,644.72
DROP OFF CENTERS	198	0.00
	<hr/>	<hr/>
TOTAL	141,455	\$12,785,692.25

SOCRRA
IMPROVEMENT FUND
JULY 1, 2010 THROUGH MARCH 31, 2011

EXPENDITURES

TS Driveway Replacement	\$5,864.73
TS Equipment	\$13,000.00
MRF Equipment	\$13,820.75
CS Equipment	107,711.31
LF Vents and Wells	325.18
TOTAL	<u>\$140,721.97</u>