

## QUARTERLY REPORT JANUARY 2010

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Advisory Committee:	A. R. Allie S. W. Ball B. A. Photiades A. LeCureaux

J. A. McKeen	General Manager
M. A. Czuprenski	Operations Director
J. Schandavel	Authority Engineer
T. Dean	Superintendent

Board of Trustees  
SOCRRA

Subject: Quarterly Report - January 2010

Board Members:

Attached is a copy of SOCRRA's Quarterly Report covering the first six months operation of the 2009/10 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 2009/10 was \$100,553, before depreciation. This is a significant decrease from net income of \$275,584 that was recorded for the first 6 months of 2008/09.

	<u>Actual</u>	<u>Compared to Budget</u>
Revenue	\$9,010,976	+\$ 202,465
Expenses	\$9,111,530	+\$431,630
Net Income	-\$100,553	-\$229,165

Revenue was higher than plan due to the revenue from the sale of recycled materials being higher than planned (+\$116,000), member services being greater than budgeted (+\$73,000) due to the extra contractor services being provided to most communities, and due to higher than budgeted revenue for non-member refuse (+\$26,000). These increases in revenue were partially offset by lower than planned miscellaneous revenue (-\$6,000) and rental revenue (-\$6,000).

Expenses were above budget primarily due to higher than planned contractor expenses, which are largely an issue of timing (+\$174,000), labor expenses (+\$178,000), maintenance (+\$88,000) and supplies (+\$19,000). These increases were partially offset by lower than planned non-labor Administrative and General Expenses (-\$25,000), which are largely an issue of timing, and lower than planned utility costs (-\$5,000).

Total revenues for the first six months of 2009/10 decreased by \$484,000 compared to the first six months of 2008/09. The majority of this decrease is due to the lower prices we received for our recycled commodities in 2009/10 (-\$431,000). This difference will gradually diminish in the remaining six months of the fiscal year because the prices that we are receiving this year are substantially higher than we received in the last six months of 2008/09. Member revenue also decreased by \$128,000 for the first six months of 2009/10 due to the reduction in our member rates for 2009/10. These decreases in revenue were partially offset by increases in non-member refuse (+\$69,000), compost sales (+\$12,000) and miscellaneous revenue (+\$6,000).

Operating expenses for the first six months of 2009/10 were \$107,000 lower compared to the first six months of 2008/09 primarily due to lower contractor costs.

Additional financial detail is attached.

### **MATERIAL HANDLED**

SOCRRA processed 107,585 tons of refuse, yard waste and recyclables during the first six months of the current fiscal year. This represents an increase of 7.3% or 7,324 total tons compared to the same period last year. Most of the increase in tonnage is due to Rizzo Services delivering significant tonnage of non-member recycling and refuse to our Troy facilities. Member refuse continues to decline. This is the sixth year in a row for which we have seen a substantial decrease in the amount of refuse tonnage from the member communities. The amount of member refuse decreased by 3.5% compared to the previous fiscal year and by 18.2% compared to the first half of 2005/06. For the first half of this year, recycling tonnage decreased by 2.0%, which is less than the 6.5% decrease that we had budgeted due to the reduction in the home delivery schedules of the local newspapers.

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

	2005/06	2006/07	2007/08	2008/09	2009/10
Member Refuse	67,365	64,071	59,948	57,068	55,082
Non-Member Refuse	5,037	4,909	3,757	3,874	6,204
Member Recycling	7,913	8,049	7,964	8,556	8,384
Non-Member Recycling	122	142	212	183	2,024
Yard Waste	<u>25,512</u>	<u>28,386</u>	<u>29,998</u>	<u>30,581</u>	<u>35,891</u>
TOTAL	105,949	105,557	101,879	100,261	107,585

### **CAPITAL EXPENDITURES**

Capital expenditures for the first six months of the fiscal year totaled \$61,218 and were for the partial payment for the new horizontal grinder for the Compost Site (\$28,000), the purchase of a new fork loader for the Troy Transfer Station (\$24,000) and replacement of a portion of the driveway to the Troy Transfer Station (\$9,000).

### **MAJOR PROJECTS**

#### **RECYCLED COMMODITY PRICES**

During the first half of 2009/10, we received modest increases in the prices that we receive for our recycled materials. Plastic prices were about 20% higher than at the end of 2008/09 and metal prices were about 10% higher. We had budgeted for commodity prices to start 2009/10 at the market lows that were reached in January of 2009 and increase throughout the year until they reached ½ of the peak market prices. As of the end of 2009, the prices for natural HDPE (milk jugs) and PETE (water bottles) had already reached the level budgeted for June of 2010 while the price for colored HDPE (detergent bottles) were about 80% of the level budgeted for June of 2010. The prices that we receive for our paper product streams remain fixed at a very favorable price through a contract that expires on June 30, 2010. We have begun working on developing a new contract that will be effective on July 1.

We are continuing to have to pay to recycle our stream of mixed #1 to #7 injection molded plastics. During the first half of the year, we were able to ship over 580,000 pounds of this material for recycling. We continue to have to work diligently to find outlets for this material.

### **FALL LEAF SEASON**

The recently completed fall leaf season went extremely well. The continuous dry weather allowed our municipal crews and contractors to completely clean up the leaves in a very short period of time. We did have to add some additional contractor capacity to haul leaves from the Madison Heights Transfer Station to the compost site, which caused some additional expense in December. However because all of the leaves have been picked up, we anticipate having very few expenses being carried over into January and a very small amount of leaves being brought to us in the spring. 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.

### **SOCRRA v. ROCHESTER HILLS**

We have been working for an extended period of time with Rochester Hills, the Oakland County Water Resources Commissioner's Office (WRC) and DWSD to resolve several years of bills for the meter that handles the leachate from the landfill and the effluent from the drain system under the compost pad. Neither Rochester Hills nor the WRC provide any service to our sewerage, but charge us substantial fees. In mid 2009, we filed a lawsuit in Oakland County Circuit Court against both Rochester Hills and the WRC asking to become a direct sewer customer of DWSD and to have all monies refunded that had been paid to Rochester Hills and the WRC for service that was not provided by either party. The WRC has been removed from the lawsuit by the Judge because we do not have a contractual relationship with the WRC. The lawsuit against Rochester Hills is pending. All parties, including the WRC, have agreed to attempt to settle this lawsuit by conducting a mediation session with Judge Mester, who has retired from the Oakland County Circuit Court. The mediation is being scheduled.

### **ANNUAL AUDIT**

The audit report for the 2008/09 fiscal year was completed by our auditors, Plante & Moran. This was the second audit performed by Plante & Moran under our three year agreement. For the 2008/09 audit, the financial statements contained in the audit were prepared by the SOCRRA staff and reviewed by the auditors. 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, although improved over the previous year, continues to remain under the goal level established by the Board. This issue was addressed during the preparation of the 2009/10 budget and will be addressed as we prepare our budget for 2010/11.

### **PROCESSING MATERIALS FROM OTHER COMMUNITIES**

Rizzo Services is continuing to deliver a significant amount of refuse from Bloomfield Twp. to the Troy Transfer Station for disposal under an agreement completed between SOCRRA and Rizzo Services. The incremental revenue from Rizzo will help us to offset the fixed costs of running the Troy Transfer Station. Under our existing collection contracts with Rizzo, Tringali and Car Trucking, the contractors have the opportunity to deliver dual stream recyclables to us at a fixed price of \$20 per ton. Car Trucking and Rizzo Services have been delivering recyclables from Bingham Farms and Bloomfield Township, respectively, to our MRF for about 9 months.

We are able to process this material and provide additional revenue through the sale of the recycled materials.

### **ELECTRONICS RECYCLING**

Great Lakes Electronics, located in Warren, began a 12 month contract for recycling our electronics on November 1, 2009. The State of Michigan has enacted legislation that requires manufacturers of televisions and computer equipment to have “take back” programs in place by April of 2010. We will be monitoring these take back programs as they are implemented in order to determine their effect on our electronics recycling program.

### **RECYCLING BIN BLITZ III**

As part of our celebration of America Recycles Day on November 15, during the month of November, SOCRRA and the member communities sold 944 recycling bins at a reduced price of \$6. This is about half of the usual price. Royal Oak was the top seller with 216 bins sold. We conducted the Bin Blitz 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. The Recycling Committee is evaluating whether another Bin Blitz should be held in April.

### **RECYCLING COMMITTEE**

The Recycling Committee continues to meet on the third Wednesday of every month at 9:30 at the MRF Education Center to discuss recycling issues and to address any collection issues that occur. This is a great forum for the member communities and the collection contractors to resolve any issues and we strongly encourage your community to be involved in these meetings.

Respectfully submitted,

Jeffrey A. McKeen, P.E.  
General Manager

SOCRRA  
STATEMENT OF INCOME  
JULY 1, 2009 THROUGH DECEMBER 31, 2009

<u>REVENUES</u>	<u>ESTIMATED</u>	<u>ACTUAL</u>	<u>VARIANCES</u>
MEMBER SERVICES	\$7,698,686.00	\$7,771,260.44	\$72,574.44
NON-MEMBER REFUSE	318,000.00	343,825.56	25,825.56
NON MEMBER YARD WASTE	40,000.00	39,635.40	(364.60)
	<hr/>	<hr/>	<hr/>
	\$8,056,686.00	\$8,154,721.40	\$98,035.40
 <u>RECYCLING</u>			
NEWSPAPERS	\$425,000.00	\$532,832.21	\$107,832.21
PLASTICS	84,000.00	110,998.76	26,998.76
CARDBOARD	60,000.00	54,069.90	(5,930.10)
TIN CANS	26,000.00	23,911.61	(2,088.39)
SCRAP METAL	46,000.00	31,610.90	(14,389.10)
NON FERROUS METAL	7,900.00	7,822.00	(78.00)
GLASS	6,600.00	9,484.23	2,884.23
BATTERIES	1,625.00	2,286.74	661.74
	<hr/>	<hr/>	<hr/>
	\$657,125.00	\$773,016.35	\$115,891.35
 <u>OTHER</u>			
REVENUES-COMPOST	\$26,000.00	\$25,852.00	(\$148.00)
INTEREST ON INVESTMENTS	6,000.00	6,768.92	768.92
RENTAL INCOME	47,700.00	41,909.26	(5,790.74)
GRANTS	0.00	0.00	0.00
MISC. INCOME	15,000.00	8,708.18	(6,291.82)
	<hr/>	<hr/>	<hr/>
	\$94,700.00	\$83,238.36	(\$11,461.64)
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TOTAL REVENUES	\$8,808,511.00	\$9,010,976.11	\$202,465.11
 <u>EXPENSES</u>			
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCES</u>
	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>	
MADISON HEIGHTS FACILITY	\$56,692.00	\$93,973.91	\$37,281.91
TROY TRANSFER FACILITY	1,013,263.00	1,033,596.53	20,333.53
MATERIAL RECOVERY FACILITY	402,118.00	520,301.26	118,183.26
HOUSEHOLD HAZARDOUS WASTE	116,735.00	163,751.27	47,016.27
COMPOST/LANDFILL FACILITY	160,790.00	287,278.29	126,488.29
ADMINISTRATIVE & GENERAL	747,363.00	730,452.52	(16,910.48)
COLLECTION FEES	4,559,520.00	4,111,451.81	(448,068.19)
COLLECTION & DISPOSAL FEES IN TRANSIT	1,623,419.00	2,170,723.92	547,304.92
	<hr/>	<hr/>	<hr/>
	\$8,679,900.00	\$9,111,529.51	\$431,629.51
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REVENUES OVER EXPENSES	\$128,611.00	(\$100,553.40)	(\$229,164.40)
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NET INCOME BEFORE DEPRECIATION	\$128,611.00	(\$100,553.40)	(\$229,164.40)

SOCRRA  
STATEMENT OF INCOME  
JULY 1, 2009 THROUGH DECEMBER 31, 2009

<u>REVENUE</u>	<u>TOTAL TONS</u>	<u>AMOUNT</u>
MEMBER SERVICES	55,082.20	\$7,771,260.44
NON-MEMBER REFUSE	6,203.93	343,825.56
<u>YARD WASTE</u>		
MEMBERS	35,324.87	0.00
OTHERS	566.45	39,635.40
<u>RECYCLABLES</u>		
MEMBERS	8,383.72	0.00
OTHERS	2,024.14	0.00
	<hr/>	<hr/>
	107,585.31	\$8,154,721.40
<u>RECYCLING</u>		
NEWSPAPERS		\$532,832.21
PLASTICS		110,998.76
CARDBOARD		54,069.90
TIN CANS		23,911.61
SCRAP METAL		31,610.90
NON FERROUS METAL		7,822.00
GLASS		9,484.23
BATTERIES		2,286.74
		<hr/>
		\$773,016.35
<u>OTHER</u>		
COMPOST SALES		\$25,852.00
INTEREST ON INVESTMENTS		6,768.92
RENTAL INCOME		41,909.26
GRANTS		0.00
MISC. INCOME		8,708.18
		<hr/>
		\$83,238.36
TOTAL REVENUE		<hr/> <hr/>
		\$9,010,976.11
<u>EXPENSES</u>		
MADISON HEIGHTS FACILITY		\$93,973.91
TROY TRANSFER FACILITY		1,033,596.53
MATERIAL RECOVERY FACILITY		520,301.26
HOUSEHOLD HAZARDOUS WASTE		163,751.27
COMPOST/LANDFILL FACILITY		287,278.29
ADMINISTRATIVE & GENERAL		730,452.52
COLLECTION CONTRACT EXPENSES		4,111,451.81
COLLECTION & DISPOSAL FEES IN TRANSIT		2,170,723.92
		<hr/>
		\$9,111,529.51
NET INCOME BEFORE DEPRECIATION		(\$100,553.40)
DEPRECIATION		205,265.70
NET INCOME		<hr/> <hr/>
		(\$305,819.10)

SOCRRA  
 STATEMENT OF REVENUES & EXPENDITURES  
 COMPARED WITH TOTAL BUDGET  
 JULY 1, 2009 THROUGH DECEMBER 31, 2009

<u>REVENUES</u>	<u>TOTAL BUDGET 2009/10</u>	<u>ACTUAL 6 MONTHS</u>	<u>BALANCE</u>	
MEMBERS SERVICES	\$15,397,386.00	\$7,771,260.44	\$7,626,125.56	50%
NON-MEMBER REFUSE	548,000.00	343,825.56	204,174.44	63%
<u>YARD WASTE</u>				
NON-MEMBERS	75,000.00	39,635.40	35,364.60	53%
	<hr/> \$16,020,386.00	<hr/> \$8,154,721.40	<hr/> \$7,865,664.60	
<u>RECYCLABLES</u>				
NEWSPAPERS	\$1,020,000.00	\$532,832.21	\$487,167.79	52%
PLASTICS	215,000.00	110,998.76	104,001.24	52%
CARDBOARD	135,000.00	54,069.90	80,930.10	40%
TIN CANS	62,000.00	23,911.61	38,088.39	39%
SCRAP METAL	110,000.00	31,610.90	78,389.10	29%
NON FERROUS METAL	19,000.00	7,822.00	11,178.00	41%
GLASS	16,000.00	9,484.23	6,515.77	59%
BATTERIES	4,000.00	2,286.74	1,713.26	57%
	<hr/> \$1,581,000.00	<hr/> \$773,016.35	<hr/> \$807,983.65	49%
<u>OTHER</u>				
COMPOST SALES	\$40,000.00	\$25,852.00	\$14,148.00	65%
INTEREST ON INVESTMENTS	15,000.00	6,768.92	8,231.08	45%
RENTAL OF HOMES	96,500.00	41,909.26	54,590.74	43%
GRANTS	0.00	0.00	0.00	0%
MISC. INCOME	25,000.00	8,708.18	16,291.82	35%
	<hr/> \$176,500.00	<hr/> \$83,238.36	<hr/> \$93,261.64	47%
 TOTAL REVENUES	 <hr/> <hr/> \$17,777,886.00	 <hr/> <hr/> \$9,010,976.11	 <hr/> <hr/> \$8,766,909.89	 51%

SOCRRA  
 STATEMENT OF REVENUES & EXPENDITURES  
 COMPARED WITH TOTAL BUDGET  
 JULY 1, 2009 THROUGH DECEMBER 31, 2009

<u>EXPENSES</u>	<u>TOTAL BUDGET 2009/10</u>	<u>ACTUAL 6 MONTHS</u>	<u>BALANCE</u>	
MADISON HEIGHTS FACILITY	\$111,400.00	\$93,973.91	\$17,426.09	84%
TROY TRANSFER FACILITY	2,716,728.00	1,033,596.53	1,683,131.47	38%
MATERIAL RECOVERY FACILITY	845,000.00	520,301.26	324,698.74	62%
HOUSEHOLD HAZARDOUS WASTE	226,800.00	163,751.27	63,048.73	72%
COMPOST/LANDFILL FACILITY	322,600.00	287,278.29	35,321.71	89%
ADMINISTRATIVE & GENERAL	1,459,221.00	730,452.52	728,768.48	50%
COLLECTION & DISPOSAL FEES	11,258,073.00	4,111,451.81	7,146,621.19	37%
COLLECTION & DISPOSAL FEES IN TRANSIT	0.00	2,170,723.92	(2,170,723.92)	0%
	<u>\$16,939,822.00</u>	<u>\$9,111,529.51</u>	<u>\$7,828,292.49</u>	
TOTAL EXPENDITURES	<u>\$16,939,822.00</u>	<u>\$9,111,529.51</u>	<u>\$7,828,292.49</u>	54%
NET INCOME	<u>\$838,064.00</u>	<u>(\$100,553.40)</u>	<u>\$938,617.40</u>	-12%

S O C R R A  
 COMPARATIVE STATEMENT  
 JULY 1, 2009 THROUGH DECEMBER 31, 2009

	<u>2009/10</u>	<u>2008/09</u>	<u>VARIANCES</u>
<u>REVENUES</u>			
MEMBER SERVICES	\$7,771,260.44	\$7,899,080.37	(\$127,819.93)
NON MEMBER REFUSE	343,825.56	275,005.80	68,819.76
<u>YARD WASTE</u>			
MEMBERS	0.00	0.00	0.00
OTHERS	39,635.40	41,268.00	(1,632.60)
	<hr/>	<hr/>	<hr/>
	\$8,154,721.40	\$8,215,354.17	(\$60,632.77)
<u>RECYCLABLES</u>			
NEWSPAPERS	\$532,832.21	\$700,785.50	(\$167,953.29)
PLASTICS	110,998.76	262,057.04	(151,058.28)
CARDBOARD	54,069.90	72,595.10	(18,525.20)
TIN CANS	23,911.61	51,738.65	(27,827.04)
SCRAP METAL	31,610.90	83,006.85	(51,395.95)
NON FERROUS METAL	7,822.00	15,972.60	(8,150.60)
GLASS	9,484.23	15,617.58	(6,133.35)
BATTERIES	2,286.74	2,586.80	(300.06)
	<hr/>	<hr/>	<hr/>
	\$773,016.35	\$1,204,360.12	(\$431,343.77)
<u>OTHER</u>			
COMPOST SALES	\$25,852.00	\$13,597.00	\$12,255.00
INTEREST ON INVESTMENTS	6,768.92	13,803.56	(7,034.64)
RENTAL OF HOMES	41,909.26	44,731.00	(2,821.74)
GRANTS	0.00	0.00	0.00
MISC. INCOME	8,708.18	2,767.55	5,940.63
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	\$83,238.36	\$74,899.11	\$8,339.25
TOTAL REVENUES	\$9,010,976.11	\$9,494,613.40	(\$483,637.29)
OPERATING EXPENSES	\$9,111,529.51	\$9,218,759.75	(\$107,230.24)
EXCESS	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	(\$100,553.40)	\$275,853.65	(\$376,407.05)

SOCRRA  
TOTAL SERVICE CHARGES  
JULY 1, 2009 THROUGH DECEMBER 31, 2009

<u>MUNICIPALITY</u>	<u>TOTAL TONS</u>	<u>SERVICE CHARGES</u>
BERKLEY	4,024	\$399,165.71
BEVERLY HILLS	3,843	283,356.00
BIRMINGHAM	9,465	636,530.02
CLAWSON	5,102	336,093.76
FERNDALE	8,142	746,415.55
HAZEL PARK	4,911	492,000.00
HUNTINGTON WOODS	2,901	160,109.76
LATHRUP VILLAGE	1,263	125,679.20
OAK PARK	8,090	710,875.39
PLEASANT RIDGE	1,865	79,712.00
ROYAL OAK	24,886	1,962,449.11
TROY	24,300	1,838,873.94
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SUB-TOTAL	98,791	\$7,771,260.44
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OTHER CUSTOMERS	8,618	\$383,460.96
DROP OFF CENTERS	177	0.00
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TOTAL	107,585	\$8,154,721.40

SOCRRA  
IMPROVEMENT FUND  
JULY 1, 2009 THROUGH DECEMBER 31, 2009

EXPENDITURES

TS Driveway Replacement	\$8,779.62
CS Equipment	28,188.71
TS Equipment	24,250.00
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TOTAL	\$61,218.33