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**QUARTERLY REPORT
APRIL 2009**

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

April 2009

Board of Trustees
SOCRRA

Subject: Quarterly Report – April 2009

Board Members:

Attached is a copy of SOCRRA's Quarterly Report, covering the first nine months operation of the fiscal year 2008/09. 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 2008/09 was \$729,904 before capital expenses and depreciation. This is a substantial improvement over the net income of \$400,290 reported for the first nine months of 2007/08, but is still almost \$190,000 below budget.

	<u>Actual</u>	<u>Compared to Budget</u>
Revenue	\$13,789,781	- \$139,291
Expenses	\$13,059,877	+ \$50,182
Net Operating Income	\$ 729,904	- \$ 189,473

The decrease in revenue was due primarily to receiving lower than budgeted prices for the sale of recycled materials (-\$135,000), lower than budgeted non-member tonnages (-\$54,000) and lower than budgeted interest (-\$23,000). These decreases were partially offset by higher than budgeted member revenue (+\$83,000). Revenue from the sale of recycled material totaled \$1.41 million, which is a 3% decrease over the amount generated for the first nine months of 2007/08, and was 10% of total revenue. The prices that we receive for our recycled plastics and metals reached a peak in early October of 2008 and then crashed. Additional information on the prices for our recycled materials is in the Major Projects area of this report.

Expenses were very close to budget with increases in labor (+\$40,000), contract expenses (+\$44,000) and maintenance (+\$25,000) offset by lower costs for non-labor administrative and general expenses (-\$123,000). Additional financial detail is attached.

As of March 27, 2009, our fund balance was 6.1% based on unrestricted assets. This is below the 7.5% working capital goal approved by the Board, but is a significant improvement over the 2.6% as of March 20, 2008.

MATERIAL HANDLED

The Authority processed 130,225 tons of refuse, yard waste and recyclables during the first nine months of the current fiscal year. This represents a decrease of 1.9% or 2,470 total tons compared to the same period last year. This is the fifth year in a row for which we have seen a decrease in the total tonnage handled. The amount of member refuse decreased by 5.0% compared to the previous fiscal year. This was partially offset by an 8.0% increase in recyclables and a 2.2% increase in yard waste recyclables. Non-member refuse increased by 2.8%. Our recent history of tonnage handled is displayed in the table below. Over this four year period, member refuse has decreased by 19.5%.

July 1 Through March 31

	2004/05	2005/06	2006/07	2007/08	2008/09
Member Refuse	100,548	96,810	91,592	85,227	80,965
Non-Member Refuse	8,292	6,854	6,531	5,021	5,161
Recycling	13,166	11,925	11,969	12,037	13,027
Yard Waste	<u>23,896</u>	<u>27,146</u>	<u>28,572</u>	<u>30,410</u>	<u>31,072</u>
TOTAL	145,902	142,735	138,664	132,695	130,225

CAPITAL EXPENDITURES

Capital expenditures for the first nine months of the fiscal year totaled \$124,145 and were for partial payment for the new horizontal grinder at the Compost Site (\$73,000), the installation of the landfill gas venting system for a portion of our Rochester Hills property (\$17,000), the purchase of a new fork lift for the MRF (\$16,000), a portion of the expenses for the rebuild of the baler conveyor at the MRF and the replacement of a portion of the driveway to the Troy Transfer Station (\$9,000). Due to the collapse of the revenue we receive from recycled plastics and metals, we have deferred a number of the capital expenditures we had planned for 2008/09.

MAJOR PROJECTS

COLLAPSE OF RECYCLED COMMODITY MARKETS

The prices that we receive for all of our recycled commodities except for paper and cardboard declined dramatically during the October to December period. Even though market prices for recycled paper materials declined significantly, the prices that we receive for our paper materials did not decline because we have a long term, fixed price contract for the sale of these materials. From October 20, 2008 to December 1, 2008, the prices that we received for Dairy HDPE (milk jugs) declined by 70%, for Mixed HDPE (detergent bottles) by 81% and PETE (water bottles) by 97%. Since December 1, 2008, the prices for our recycled plastics have improved by 32% for Dairy HDPE, by 71% for Mixed HDPE and by 1,200% for PETE, but these prices remain about 65% less than the prices that we were receiving on October 20, 2008. In addition, the price that we receive for our mixed #1 to #7 injection molded plastics product stream decreased to \$0 and we were unable to recycle this material, even if we were willing to pay to have it recycled. We

stockpiled completed bales of this material for the months of November and December. During January and early February, we were able to recycle all of the stockpiled material at a \$0 price. Our outlets for this material dried up again in later February, but we were able to resume shipments in mid-April. We are still not receiving any revenue for this material. We have also seen significant decreases in the prices that we receive for our recycled metal product streams. Between August of 2008 and November of 2008, the prices that we received for tin cans and scrap metal declined by 85% and our price for aluminum has declined by 43%. Since November of 2008, our prices for tin cans and scrap metal have improved by 40%, but aluminum has declined further.

It appears that these lower prices will continue into the future and that they will have an adverse effect on our revenue. In order to address this loss of revenue, we have put all non-essential capital expenditures on hold and have taken steps to reduce our operating costs.

LONG TERM PLANNING PROCESS

SOCRRA staff has begun a long term planning process for SOCRRA's operations and facilities. As part of this process, the Board approved hiring RRS from Ann Arbor to develop a financial model that can be used to evaluate the costs and benefits of alternative versions of SOCRRA's future. We will be working on this planning process for the remainder of this fiscal year.

COMPOST OPERATIONS

SOCRRA staff has successfully used our new horizontal grinder as our primary method of producing compost since August of 2008. The grinder is being used to grind all incoming material and will also be used to aerate the compost piles as they age. The use of the grinder has simplified our operations and made us more efficient. This has also allowed us to develop taller windrows that are more closely spaced together, which allows more efficient use of our compost pad. The grinder also allows us to compost branches larger than those currently collected as yard waste. We are developing a plan to take advantage of this capability. We have sold both of our two used SCARAB compost turners, which had been used as our method of producing compost before we acquired the grinder.

ROCHESTER HILLS SEWER METER

We have been working with Rochester Hills, the Oakland County Drain Commissioner's Office 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. This meter had been reading inaccurately for several years. DWSD has issued two refunds to properly account for some of the incorrect charges. We are working with the parties to make sure that we are properly billed for the time periods covered by the DWSD refunds. We are also contesting 2 years of sewer bills that the City of Rochester Hills has turned over to the Oakland County Treasurer's Office for collection. In early April, we proposed a settlement agreement which is being reviewed by each of the parties. The proposed agreement would conclude all of the issues regarding this meter.

PROCESSING MATERIALS FROM OTHER COMMUNITIES

Rizzo Services has begun to deliver recyclables from Bloomfield Twp. to our MRF for processing. Under our collection contracts with Rizzo, Tringali and Car Trucking, the contractors have the opportunity to deliver recyclables to us at a fixed price of \$20 per ton. Car Trucking has been delivering recyclables from Bingham Farms to our MRF for about 6 months. We are able to process this material and provide additional revenue through the sale of the recycled materials. We are also negotiating with Rizzo to allow them to bring refuse from other communities to our Troy Transfer Station, which is not addressed in our current collection contracts.

MADISON HEIGHTS TRANSFER STATION

The Madison Heights Transfer Station has not been used for refuse transfer on a daily basis since the new collection contracts began on July 1, 2007. The Troy Transfer Station, with its two compactors and two electrical feeds has proven to be very reliable. We have maintained the Madison Heights facility, its equipment, and the transfer station license and we have tested our ability to transfer refuse periodically since July, 2007 so that the facility is capable of acting as a back-up for Troy. We also use the Madison Heights facility to transfer loads of leaves in the fall.

TELEVISION RECYCLING

The pending conversion from analog to digital broadcasting, which was originally scheduled for February 17, 2009, did cause an increase in the number of televisions brought to SOCRRA for recycling. We were regularly recycling about 150 televisions monthly. This number increased to 400 in December, 2008 and to 450 in January, 2009. The monthly numbers have decreased since then, but continue to remain at around 200 per month. This increase, while substantial, was much less than had been predicted by our television recycling vendor. We expect to have another increase in the amount of televisions recycled as we approach the current digital conversion date of June 12, 2009.

SALVAGING RECYCLABLES FROM REFUSE

SOCRRA's mechanics are working to upgrade our old yard waste debagging system, which is no longer used for yard waste, to allow us to salvage cardboard from the refuse that we receive at the Troy Transfer Station. We plan to perform some limited testing of this system over the next several months in order to evaluate the economics of salvaging.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

SOCRRA
STATEMENT OF INCOME
JULY 1, 2008 THROUGH MARCH 31, 2009

<u>REVENUES</u>	<u>ESTIMATED</u>	<u>ACTUAL</u>	<u>VARIANCES</u>
MEMBER SERVICES	\$11,755,620.00	\$11,838,960.60	\$83,340.60
NON-MEMBER REFUSE	435,000.00	363,167.70	(71,832.30)
NON MEMBER YARD WASTE	29,000.00	47,189.00	18,189.00
	<hr/> \$12,219,620.00	<hr/> \$12,249,317.30	<hr/> \$29,697.30
 <u>RECYCLING</u> 			
NEWSPAPERS	\$880,000.00	\$864,004.34	(\$15,995.66)
PLASTICS	373,520.00	264,446.23	(109,073.77)
CARDBOARD	82,000.00	96,737.10	14,737.10
TIN CANS	66,457.00	58,196.05	(8,260.95)
SCRAP METAL	93,000.00	82,367.47	(10,632.53)
NON FERROUS METAL	33,000.00	20,615.74	(12,384.26)
GLASS	13,000.00	20,328.00	7,328.00
BATTERIES	3,375.00	3,077.30	(297.70)
	<hr/> \$1,544,352.00	<hr/> \$1,409,772.23	<hr/> (\$134,579.77)
 <u>OTHER</u> 			
REVENUES-COMPOST	\$27,000.00	\$26,357.00	(\$643.00)
INTEREST ON INVESTMENTS	42,000.00	19,156.49	(22,843.51)
RENTAL INCOME	71,100.00	63,342.95	(7,757.05)
GRANTS	0.00	0.00	0.00
MISC. INCOME	25,000.00	21,835.03	(3,164.97)
	<hr/> \$165,100.00	<hr/> \$130,691.47	<hr/> (\$34,408.53)
 TOTAL REVENUES	 <hr/> <hr/> \$13,929,072.00	 <hr/> <hr/> \$13,789,781.00	 <hr/> <hr/> (\$139,291.00)
 <u>EXPENSES</u> 			
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCES</u>
	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>	
MADISON HEIGHTS FACILITY	\$73,913.00	\$78,088.20	\$4,175.20
TROY TRANSFER FACILITY	1,796,921.00	1,734,146.90	(62,774.10)
MATERIAL RECOVERY FACILITY	611,910.00	694,163.03	82,253.03
HOUSEHOLD HAZARDOUS WASTE	125,136.00	177,321.19	52,185.19
COMPOST/LANDFILL FACILITY	311,285.00	301,053.54	(10,231.46)
ADMINISTRATIVE & GENERAL	1,073,270.00	968,362.47	(104,907.53)
COLLECTION FEES	7,561,585.00	7,602,062.16	40,477.16
COLLECTION & DISPOSAL FEES IN TRANSIT	1,455,675.00	1,504,679.80	49,004.80
	<hr/> \$13,009,695.00	<hr/> \$13,059,877.29	<hr/> \$50,182.29
 REVENUES OVER EXPENSES	 \$919,377.00	 \$729,903.71	 (\$189,473.29)
 NET INCOME BEFORE DEPRECIATION	 <hr/> <hr/> \$919,377.00	 <hr/> <hr/> \$729,903.71	 <hr/> <hr/> (\$189,473.29)

SOCRRA
STATEMENT OF INCOME
JULY 1, 2008 THROUGH MARCH 31, 2009

<u>REVENUE</u>	<u>TOTAL TONS</u>	<u>AMOUNT</u>
MEMBER SERVICES	80,965.26	\$11,838,960.60
NON-MEMBER REFUSE	5,161.04	363,167.70
 <u>YARD WASTE</u>		
MEMBERS	30,399.04	0.00
OTHERS	672.54	47,189.00
 <u>RECYCLABLES</u>		
MEMBERS	12,506.50	0.00
OTHERS	520.98	0.00
	<hr/>	<hr/>
	130,225.36	\$12,249,317.30
 <u>RECYCLING</u>		
NEWSPAPERS		\$864,004.34
PLASTICS		264,446.23
CARDBOARD		96,737.10
TIN CANS		58,196.05
SCRAP METAL		82,367.47
NON FERROUS METAL		20,615.74
GLASS		20,328.00
BATTERIES		3,077.30
		<hr/>
		\$1,409,772.23
 <u>OTHER</u>		
COMPOST SALES		\$26,357.00
INTEREST ON INVESTMENTS		19,156.49
RENTAL INCOME		63,342.95
GRANTS		0.00
MISC. INCOME		21,835.03
		<hr/>
		\$130,691.47
TOTAL REVENUE		<hr/> <hr/>
		\$13,789,781.00
 <u>EXPENSES</u>		
MADISON HEIGHTS FACILITY		\$78,088.20
TROY TRANSFER FACILITY		1,734,146.90
MATERIAL RECOVERY FACILITY		694,163.03
HOUSEHALD HAZARDOUS WASTE		177,321.19
COMPOST/LANDFILL FACILITY		301,053.54
ADMINISTRATIVE & GENERAL		968,362.47
COLLECTION CONTRACT EXPENSES		7,602,062.16
COLLECTION & DISPOSAL FEES IN TRANSIT		1,504,679.80
		<hr/>
		\$13,059,877.29
NET INCOME BEFORE DEPRECIATION		\$729,903.71
DEPRECIATION		318,969.00
NET INCOME		<hr/> <hr/>
		\$410,934.71

SOCRRA
 STATEMENT OF REVENUES & EXPENDITURES
 COMPARED WITH TOTAL BUDGET
 JULY 1, 2008 THROUGH MARCH 31, 2009

<u>REVENUES</u>	<u>TOTAL BUDGET 2008/09</u>	<u>ACTUAL 9 MONTHS</u>	<u>BALANCE</u>	
MEMBERS SERVICES	\$15,674,149.00	\$11,838,960.60	\$3,835,188.40	76%
NON-MEMBER REFUSE	620,000.00	363,167.70	256,832.30	59%
<u>YARD WASTE</u>				
NON-MEMBERS	57,000.00	47,189.00	9,811.00	83%
	<hr/> \$16,351,149.00	<hr/> \$12,249,317.30	<hr/> \$4,101,831.70	
<u>RECYCLABLES</u>				
NEWSPAPERS	\$1,173,548.00	\$864,004.34	\$309,543.66	74%
PLASTICS	499,520.00	264,446.23	235,073.77	53%
CARDBOARD	111,000.00	96,737.10	14,262.90	87%
TIN CANS	89,457.00	58,196.05	31,260.95	65%
SCRAP METAL	125,000.00	82,367.47	42,632.53	66%
NON FERROUS METAL	45,000.00	20,615.74	24,384.26	46%
GLASS	17,500.00	20,328.00	(2,828.00)	116%
BATTERIES	4,500.00	3,077.30	1,422.70	68%
	<hr/> \$2,065,525.00	<hr/> \$1,409,772.23	<hr/> \$655,752.77	68%
<u>OTHER</u>				
COMPOST SALES	\$40,000.00	\$26,357.00	\$13,643.00	66%
INTEREST ON INVESTMENTS	60,000.00	19,156.49	40,843.51	32%
RENTAL OF HOMES	95,000.00	63,342.95	31,657.05	67%
GRANTS	0.00	0.00	0.00	0%
MISC. INCOME	25,000.00	21,835.03	3,164.97	87%
	<hr/> \$220,000.00	<hr/> \$130,691.47	<hr/> \$89,308.53	59%
 TOTAL REVENUES	 <hr/> <hr/> \$18,636,674.00	 <hr/> <hr/> \$13,789,781.00	 <hr/> <hr/> \$4,846,893.00	 74%

SOCRRA
 STATEMENT OF REVENUES & EXPENDITURES
 COMPARED WITH TOTAL BUDGET
 JULY 1, 2008 THROUGH MARCH 31, 2009

<u>EXPENSES</u>	<u>TOTAL BUDGET 2008/09</u>	<u>ACTUAL 9 MONTHS</u>	<u>BALANCE</u>	
MADISON HEIGHTS FACILITY	\$101,000.00	\$78,088.20	\$22,911.80	77%
TROY TRANSFER FACILITY	2,980,000.00	1,734,146.90	1,245,853.10	58%
MATERIAL RECOVERY FACILITY	837,000.00	694,163.03	142,836.97	83%
HOUSEHOLD HAZARDOUS WASTE	171,000.00	177,321.19	(6,321.19)	104%
COMPOST/LANDFILL FACILITY	425,600.00	301,053.54	124,546.46	71%
ADMINISTRATIVE & GENERAL	1,466,730.00	968,362.47	498,367.53	66%
COLLECTION & DISPOSAL FEES	11,655,982.00	7,602,062.16	4,053,919.84	65%
COLLECTION & DISPOSAL FEES IN TRANSIT	0.00	1,504,679.80	(1,504,679.80)	0%
	<u>\$17,637,312.00</u>	<u>\$13,059,877.29</u>	<u>\$4,577,434.71</u>	
TOTAL EXPENDITURES	<u>\$17,637,312.00</u>	<u>\$13,059,877.29</u>	<u>\$4,577,434.71</u>	74%
NET INCOME	<u>\$999,362.00</u>	<u>\$729,903.71</u>	<u>\$269,458.29</u>	73%

S O C R R A
 COMPARATIVE STATEMENT
 JULY 1, 2008 THROUGH MARCH 31, 2009

	<u>2008/09</u>	<u>2007/08</u>	<u>VARIANCES</u>
<u>REVENUES</u>			
MEMBER SERVICES	\$11,838,960.60	\$11,368,329.02	\$470,631.58
NON MEMBER REFUSE	363,167.70	373,372.04	(10,204.34)
<u>YARD WASTE</u>			
MEMBERS	0.00	0.00	0.00
OTHERS	47,189.00	36,670.40	10,518.60
	<hr/>	<hr/>	<hr/>
	\$12,249,317.30	\$11,778,371.46	\$470,945.84
<u>RECYCLABLES</u>			
NEWSPAPERS	\$864,004.34	\$897,742.80	(\$33,738.46)
PLASTICS	264,446.23	328,767.00	(64,320.77)
CARDBOARD	96,737.10	38,002.01	58,735.09
TIN CANS	58,196.05	59,753.76	(1,557.71)
SCRAP METAL	82,367.47	97,799.36	(15,431.89)
NON FERROUS METAL	20,615.74	22,201.36	(1,585.62)
GLASS	20,328.00	14,940.90	5,387.10
BATTERIES	3,077.30	4,188.75	(1,111.45)
	<hr/>	<hr/>	<hr/>
	\$1,409,772.23	\$1,463,395.94	(\$53,623.71)
<u>OTHER</u>			
COMPOST SALES	\$26,357.00	\$32,348.76	(\$5,991.76)
INTEREST ON INVESTMENTS	19,156.49	29,907.15	(10,750.66)
RENTAL OF HOMES	63,342.95	71,612.25	(8,269.30)
GRANTS	0.00	0.00	0.00
MISC. INCOME	21,835.03	14,160.09	7,674.94
	<hr/>	<hr/>	<hr/>
	\$130,691.47	\$148,028.25	(\$17,336.78)
TOTAL REVENUES	\$13,789,781.00	\$13,389,795.65	\$399,985.35
OPERATING EXPENSES	\$13,059,877.29	\$12,989,505.81	\$70,371.48
EXCESS	<hr/>	<hr/>	<hr/>
	\$729,903.71	\$400,289.84	\$329,613.87

SOCRRA
TOTAL SERVICE CHARGES
JULY 1, 2008 THROUGH MARCH 31, 2009

<u>MUNICIPALITY</u>	<u>TOTAL TONS</u>	<u>SERVICE CHARGES</u>
BERKLEY	5,627	\$607,347.84
BEVERLY HILLS	4,764	430,748.00
BIRMINGHAM	11,378	965,314.39
CLAWSON	6,643	503,363.52
FERNDALE	9,987	1,125,379.70
HAZEL PARK	6,739	748,192.00
HUNTINGTON WOODS	3,490	243,216.00
LATHRUP VILLAGE	1,704	190,575.60
OAK PARK	10,254	1,074,595.69
PLEASANT RIDGE	1,826	120,692.00
ROYAL OAK	30,296	3,043,075.68
TROY	31,163	2,786,460.18
	<hr/>	<hr/>
SUB-TOTAL	123,871	\$11,838,960.60
	<hr/>	<hr/>
OTHER CUSTOMERS	6,023	\$410,356.70
DROP OFF CENTERS	331	0.00
	<hr/>	<hr/>
TOTAL	130,225	\$12,249,317.30

SOCRRA
IMPROVEMENT FUND
JULY 1, 2008 THROUGH MARCH 31, 2009

EXPENDITURES

TS Driveway Replacement	\$9,239.95
LF Methane Vent	17,245.50
CS Equipment	72,744.91
MRF Equipment	24,914.65
TOTAL	<hr/> \$124,145.01