

QUARTERLY REPORT April 2016

BOARD OF TRUSTEES	
Representative	Municipality
D. Schueller (Alternate)	City of Berkley
C. Wilson	Village of Beverly Hills
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M. Baumgarten	City of Lathrup Village
R. Fortura	City of Oak Park
S. Pietrzak	City of Pleasant Ridge
G. Rassel	City of Royal Oak
T. Richnak	City of Troy

OFFICERS	
Chairman:	G. Rassel
Vice Chair:	C. Wilson
Secretary:	T. Richnak
Advisory Committee:	C. Wilson G. Rassel

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

April 2016

Board of Trustees
SOCRRA

Subject: Quarterly Report – April 2016

Board Members:

Attached is a copy of SOCRRA's Quarterly Report, covering the first nine months operation of the fiscal year 2015/16. 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 2015/16 was \$711,983 before capital expenses and depreciation, which is \$382,601 more than budgeted. This is \$154,702 less than the net income reported for the first nine months of 2014/15.

	<u>Actual</u>	<u>Compared to Budget</u>
Revenue	\$14,937,058	+ \$449,162
Expenses	\$14,225,075	+ \$66,561
Net Operating Income	\$ 711,983	+ \$ 382,601

Revenue was higher than planned due to increased non-member refuse revenue from Car Trucking, Rizzo Services, Tringali Sanitation and others (+\$605,000), revenue from the member communities for extra services (+\$157,000), compost sales (+\$53,000) and non-member yard waste revenue (+\$42,000). These increases were partially offset by lower than planned prices for our recycled materials (-\$404,000) and lower than planned miscellaneous revenue (-\$6,000). Additional information on the prices for our recycled materials is in the Major Projects area of this report.

Expenses were above budget primarily due to higher than planned costs for contractor expenses (+\$137,000), labor (+\$78,000) and supplies (+\$13,000), which were partially offset by lower than planned costs for maintenance (-\$105,000), non-labor Administrative and General Expenses (-\$47,000) and utilities (-\$12,000).

Additional financial detail is attached.

As of March 31, 2016, our working capital was 9.7% based on unrestricted assets. This is above the 7.5% working capital goal approved by the Board and was a slight decrease from the 10.0% working capital as of March 31, 2015.

MATERIAL HANDLED

The Authority processed 154,650 tons of refuse, yard waste and recyclables during the first nine months of the current fiscal year. This represents a decrease of 10.1% or 17,475 total tons compared to the same period last year. This decrease is due to the 2014/15 tonnages including the refuse from the August 2014 flood disaster. Recycling tonnage from the member communities increased by 10.2% from 2014/15. Part of this increase was due to the recycling that was not collected during the flood disaster in August 2014.

July 1 Through March 31

	2011/12	2012/13	2013/14	2014/15	2015/16
Member Refuse	79,207	75,237	76,066	100,063	80,215
Non-Member Refuse	18,526	20,837	22,271	26,421	26,889
Member Recycling	13,079	13,279	13,449	13,137	14,479
Non-Member Recycling	353	372	377	352	335
Yard Waste	<u>30,890</u>	<u>29,930</u>	<u>33,000</u>	<u>32,152</u>	<u>32,732</u>
TOTAL	142,055	139,654	145,163	172,125	154,650

CAPITAL EXPENDITURES

Capital expenditures for the first nine months of the fiscal year totaled \$567,676 and were for major repairs to one of our rental homes in Rochester Hills (\$149,000, which was reimbursed by our insurance), cement replacement at the Troy Transfer Station (\$121,000), partial payments for a new loader at the Transfer Station (\$70,000), for the Scarab compost turner at the compost site (\$55,000) and for a new loader at the MRF (\$50,000), initial costs of the MRF single stream conversion project (\$34,000), relining the MRF baler (\$33,000), major repairs, including the demolition of one of our homes, to several of our rental homes in Rochester Hills (\$22,000), major repairs to one of the compactors at the Troy Transfer Station (\$11,000), the replacement of an axle on one of the loaders at the Troy Transfer Station (\$11,000), and repairs to the Troy Transfer Station (\$12,000).

MAJOR PROJECTS

ELECTRONICS RECYCLING

We are continuing to have issues with our electronics recycling vendors. Poor commodity prices and the loss of revenue from the manufacturers of electronic equipment have combined to disrupt the electronics recycling market in Michigan. We had been using the services of Great Lakes Electronics (GLE), located in Warren, and e-Cycle Opportunities, located in Southfield. e-Cycle Opportunities is a small electronics recycler run by Jewish Vocational Services as a means of providing employment for people with disabilities. They can only take a small portion of our

recycled electronic material. GLE significantly increased their prices at the end of March, when our existing contract expired. e-Cycle has also informed us that they will be increasing their prices.

In order to identify other sources of recycling for our electronics, we obtained quotes from all organizations supplying this service in Southeast Michigan. The best combination of service, price and third party certifications was provided by Electronics Recycling International (ERI), which is located in Indiana. We are in the final stage of contract negotiations with ERI and we hope to begin service in early May.

These changes in the electronics recycling marketplace has turned our electronics recycling program from a producer of a small amount of revenue into a significant expense. We have been able to continue electronics recycling service to our residents and to businesses located in the SOCRRA communities. However, we are no longer accepting electronics from outside the SOCRRA communities.

CONVERSION OF THE MRF TO SINGLE STREAM OPERATION

Changing to single stream recycling using 65 gallon recycling carts has been part of SOCRRA's long term plan to improve service to our residents and to generate additional recyclable material. In order to do this, SOCRRA needs to revise our collection contracts to include single stream recycling, develop the ability to process the single stream material at our Materials Recovery Facility (MRF) and provide the 65 gallon recycling carts to all of the households in the 12 SOCRRA communities. Accomplishing all of this will result in significant expenditures.

For the first phase of this project, SOCRRA staff worked with Resource Recycling Systems (RRS) to develop a Request for Proposals for the conversion of our MRF to single stream recycling. The RFP process resulted in the selection of Machinex as the contractor for an addition to our MRF and the replacement of the existing recyclables sorting system with a single stream system. SOCRRA is in final negotiations with Machinex regarding this project. SOCRRA is also developing a plan to finance the MRF conversion and the purchase of 65 gallon carts for recycling for all of the households in the SOCRRA communities. We plan to have a complete package for the SOCRRA Board to approve at their June meeting. Details regarding the MRF conversion project can be found at our website, www.socrra.org, in the agenda package for the April Board meeting.

MDEQ RECYCLING EXCELLENCE AWARD

The MDEQ has announced that SOCRRA will be receiving a Recycling Excellence Award in the Outstanding Education category. The award recognizes the recycling education programs conducted by SOCRRA. A total of 10 Recycling Excellence Awards were made, 5 of which were in the Outstanding Education Category. The award will be presented to Karen Bever, who heads up SOCRRA's education programs, at the Governor's Recycling Summit on May 3. Congratulations to Karen!

RECYCLING CART GRANTS

The MDEQ has announced that the SOCRRA communities will be awarded all of the \$450,000 grant program for the purchase of recycling carts. The MDEQ decided to maximize the number

of communities receiving funding by eliminating our 2 largest grant requests, those for Royal Oak and Troy. SOCRRA will be addressing this issue after we receive the results from other grant and other funding proposals that we have submitted. While obtaining this grant funding from the MDEQ will be very helpful, SOCRRA would need about \$5 million to provide recycling carts to all 110,000 household in the 12 SOCRRA communities.

SOCRRA has also applied to a grant program conducted by The Recycling Partnership, which is providing grant funding for the purchase of recycling carts and for education programs regarding the shift to the use of carts for single stream recycling. SOCRRA has requested funding of \$500,000 for the purchase of recycling carts and \$100,000 for an associated education program. The Recycling Partnership will be announcing the recipients of their grants in late May.

RECYCLED COMMODITY PRICES

The prices that we receive for our recycled paper, plastic and metal products have fallen to very low levels. Revenue from the sale of recyclables declined \$169,000 (20%) from last year. Prices have been consistently below the level used to prepare our budget. It appears that recycled commodity prices will remain low at least for the remainder of this fiscal year.

Our purchasers of recycled commodities have also become much more demanding regarding the quality of the recycled materials that we produce. This typically happens during times of low commodity prices and costs us some additional labor at the MRF in order to meet the requirements of our purchasers.

PROCESSING MATERIALS FROM OTHER COMMUNITIES

Car Trucking, Rizzo Services, Tringali Sanitation and Advanced Disposal, which holds the contract for disposal of refuse from the Troy Transfer Station, are continuing to bring us a significant amount of refuse from outside of the SOCRRA communities. The incremental revenue from these contractors helps us to offset the fixed costs of running the Troy Transfer Station.

COLLECTION CONTRACTS

SOCRRA's current collection and disposal contracts all expire on June 30, 2017. We are in the process of discussing the extension of the contracts with the current contractors and including single stream collection of recyclables. We plan to have final contracts ready for review by the SOCRRA Board in early 2016.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

SOCRRA
 STATEMENT OF INCOME
 JULY 1, 2015 THROUGH MARCH 31, 2016

<u>REVENUES</u>	<u>ESTIMATED</u>	<u>ACTUAL</u>	<u>VARIANCES</u>
MEMBER SERVICES	\$12,719,196.00	\$12,876,270.44	\$157,074.44
NON-MEMBER REFUSE	493,000.00	1,098,456.39	605,456.39
NON MEMBER YARD WASTE	47,000.00	89,560.98	42,560.98
	<hr/> \$13,259,196.00	<hr/> \$14,064,287.81	<hr/> \$805,091.81
 <u>RECYCLING</u> 			
NEWSPAPERS	\$407,000.00	\$303,356.31	(\$103,643.69)
BOXBOARD	140,000.00	132,382.94	(\$7,617.06)
CARDBOARD	36,000.00	32,173.98	(3,826.02)
PLASTIC	345,000.00	169,959.37	(175,040.63)
SCRAP METAL	52,000.00	19,156.36	(32,843.64)
TIN CANS	80,500.00	17,506.65	(62,993.35)
NON FERROUS METAL	12,000.00	6,422.41	(5,577.59)
GLASS	8,500.00	1,288.99	(7,211.01)
BATTERIES	2,800.00	2,282.90	(517.10)
USED ELECTRONICS	16,000.00	11,256.59	(4,743.41)
	<hr/> \$1,099,800.00	<hr/> \$695,786.50	<hr/> (\$404,013.50)
 <u>OTHER</u> 			
REVENUES-COMPOST	\$29,000.00	\$81,883.00	\$52,883.00
INTEREST ON INVESTMENTS	14,900.00	14,304.22	(595.78)
RENTAL INCOME	66,000.00	67,990.00	1,990.00
GRANTS	0.00	0.00	0.00
MISC. INCOME	19,000.00	12,806.70	(6,193.30)
	<hr/> \$128,900.00	<hr/> \$176,983.92	<hr/> \$48,083.92
 TOTAL REVENUES	 <hr/> <hr/> \$14,487,896.00	 <hr/> <hr/> \$14,937,058.23	 <hr/> <hr/> \$449,162.23
<u>EXPENSES</u>	<u>BUDGET APPROPRIATIONS</u>	<u>ACTUAL EXPENDITURES</u>	<u>VARIANCES</u>
MADISON HEIGHTS FACILITY	\$119,250.00	\$91,299.87	(\$27,950.13)
TROY TRANSFER FACILITY	1,974,942.00	2,295,323.65	320,381.65
MATERIAL RECOVERY FACILITY	955,729.00	981,840.63	26,111.63
HOUSEHOLD HAZARDOUS WASTE	213,000.00	204,841.86	(8,158.14)
COMPOST/LANDFILL FACILITY	327,800.00	276,485.21	(51,314.79)
ADMINISTRATIVE & GENERAL	1,021,235.00	950,368.57	(70,866.43)
COLLECTION FEES	7,774,724.00	7,267,236.05	(507,487.95)
COLLECTION & DISPOSAL FEES IN TRANSIT	1,771,834.00	2,157,679.42	385,845.42
	<hr/> \$14,158,514.00	<hr/> \$14,225,075.26	<hr/> \$66,561.26
 REVENUES OVER EXPENSES	 \$329,382.00	 \$711,982.97	 \$382,600.97
 NET INCOME BEFORE DEPRECIATION	 <hr/> <hr/> \$329,382.00	 <hr/> <hr/> \$711,982.97	 <hr/> <hr/> \$382,600.97

SOCRRA
STATEMENT OF INCOME
JULY 1, 2015 THROUGH DECEMBER 31, 2015

<u>REVENUE</u>	<u>TOTAL TONS</u>	<u>AMOUNT</u>
MEMBER SERVICES	55,460.29	\$12,876,270.44
NON-MEMBER REFUSE	18,985.05	1,098,456.39
<u>YARD WASTE</u>		
MEMBERS	31,563.39	0.00
OTHERS	1,000.06	89,560.98
<u>RECYCLABLES</u>		
MEMBERS	9,729.37	0.00
OTHERS	226.80	0.00
	116,964.96	\$14,064,287.81
<u>RECYCLING</u>		
NEWSPAPERS		\$303,356.31
BOXBOARD		132,382.94
CARDBOARD		32,173.98
PLASTIC		169,959.37
SCRAP METAL		19,156.36
TIN CANS		17,506.65
NON FERROUS METAL		6,422.41
GLASS		1,288.99
BATTERIES		2,282.90
USED ELECTRONICS		11,256.59
		\$695,786.50
<u>OTHER</u>		
COMPOST SALES		\$81,883.00
INTEREST ON INVESTMENTS		14,304.22
RENTAL INCOME		67,990.00
GRANTS		0.00
MISC. INCOME		12,806.70
		176,983.92
TOTAL REVENUE		\$14,937,058.23
<u>EXPENSES</u>		
MADISON HEIGHTS FACILITY		\$91,299.87
TROY TRANSFER FACILITY		2,295,323.65
MATERIAL RECOVERY FACILITY		981,840.63
HOUSEHOLD HAZARDOUS WASTE		204,841.86
COMPOST/LANDFILL FACILITY		276,485.21
ADMINISTRATIVE & GENERAL		950,368.57
COLLECTION CONTRACT EXPENSES		7,267,236.05
COLLECTION & DISPOSAL FEES IN TRANSIT		2,157,679.42
		\$14,225,075.26
NET INCOME BEFORE DEPRECIATION		\$711,982.97
DEPRECIATION		321,598.62
NET INCOME		\$390,384.35

SOCRRA
STATEMENT OF REVENUES & EXPENDITURES
COMPARED WITH TOTAL BUDGET
JULY 1, 2015 THROUGH MARCH 31, 2016

<u>REVENUES</u>	<u>TOTAL BUDGET 2015/16</u>	<u>ACTUAL 9 MONTHS</u>	<u>BALANCE</u>	
MEMBERS SERVICES	\$17,067,700.00	\$12,876,270.44	\$4,191,429.56	75%
NON-MEMBER REFUSE	660,000.00	1,098,456.39	(438,456.39)	166%
<u>YARD WASTE</u>				
NON-MEMBERS	70,000.00	89,560.98	(19,560.98)	128%
<hr/>				
<u>RECYCLABLES</u>				
NEWSPAPERS	\$610,000.00	\$303,356.31	\$306,643.69	50%
BOXBOARD	210,000.00	132,382.94	77,617.06	63%
CARDBOARD	53,000.00	32,173.98	20,826.02	61%
PLASTIC	518,000.00	169,959.37	348,040.63	33%
SCRAP METAL	79,000.00	19,156.36	59,843.64	24%
TIN CANS	121,000.00	17,506.65	103,493.35	14%
NON FERROUS METAL	17,000.00	6,422.41	10,577.59	38%
GLASS	13,000.00	1,288.99	11,711.01	10%
BATTERIES	4,000.00	2,282.90	1,717.10	57%
USED ELECTRONICS	24,000.00	11,256.59	12,743.41	47%
<hr/>				
	\$1,649,000.00	\$695,786.50	\$953,213.50	42%
<u>OTHER</u>				
COMPOST SALES	\$60,000.00	\$81,883.00	(\$21,883.00)	136%
INTEREST ON INVESTMENTS	20,000.00	14,304.22	5,695.78	72%
RENTAL OF HOMES	90,000.00	67,990.00	22,010.00	76%
GRANTS	0.00	0.00	0.00	0%
MISC. INCOME	25,000.00	12,806.70	12,193.30	51%
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	\$195,000.00	\$176,983.92	\$18,016.08	91%
<hr/> <hr/>				
TOTAL REVENUES	\$19,641,700.00	\$14,937,058.23	\$4,704,641.77	76%

SOCRRA
 STATEMENT OF REVENUES & EXPENDITURES
 COMPARED WITH TOTAL BUDGET
 JULY 1, 2015 THROUGH MARCH 31, 2016

<u>EXPENSES</u>	<u>TOTAL BUDGET 2015/16</u>	<u>ACTUAL 9 MONTHS</u>	<u>BALANCE</u>	
MADISON HEIGHTS FACILITY	\$132,200.00	\$91,299.87	\$40,900.13	69%
TROY TRANSFER FACILITY	3,166,750.00	2,295,323.65	871,426.35	72%
MATERIAL RECOVERY FACILITY	1,286,400.00	981,840.63	304,559.37	76%
HOUSEHOLD HAZARDOUS WASTE	2,851,000.00	204,841.86	2,646,158.14	7%
COMPOST/LANDFILL FACILITY	446,700.00	276,485.21	170,214.79	62%
ADMINISTRATIVE & GENERAL	1,330,800.00	950,368.57	380,431.43	71%
COLLECTION & DISPOSAL FEES	12,089,000.00	7,267,236.05	4,821,763.95	60%
COLLECTION & DISPOSAL FEES IN TRANSIT	0.00	2,157,679.42	(2,157,679.42)	0%
	<u>\$21,302,850.00</u>	<u>\$14,225,075.26</u>	<u>\$7,077,774.74</u>	
TOTAL EXPENDITURES	<u>\$21,302,850.00</u>	<u>\$14,225,075.26</u>	<u>\$7,077,774.74</u>	67%
NET INCOME	<u>(\$1,661,150.00)</u>	<u>\$711,982.97</u>	<u>(\$2,373,132.97)</u>	-43%

S O C R R A
 COMPARATIVE STATEMENT
 JULY 1, 2015 THROUGH MARCH 31, 2016

	<u>2015/16</u>	<u>2014/15</u>	<u>VARIANCES</u>
<u>REVENUES</u>			
MEMBER SERVICES	\$12,876,270.44	\$15,736,531.97	(\$2,860,261.53)
NON MEMBER REFUSE	1,098,456.39	1,025,802.90	72,653.49
<u>YARD WASTE</u>			
MEMBERS	0.00	0.00	0.00
OTHERS	89,560.98	78,684.05	10,876.93
	<hr/>	<hr/>	<hr/>
	\$14,064,287.81	\$16,841,018.92	(\$2,776,731.11)
<u>RECYCLABLES</u>			
NEWSPAPERS	\$303,356.31	\$319,203.68	(\$15,847.37)
BOXBOARD	132,382.94	103,772.22	28,610.72
CARDBOARD	32,173.98	39,072.70	(6,898.72)
PLASTIC	169,959.37	265,597.57	(95,638.20)
SCRAP METAL	19,156.36	46,267.32	(27,110.96)
TIN CANS	17,506.65	61,234.35	(43,727.70)
NON FERROUS METAL	6,422.41	6,890.88	(468.47)
GLASS	1,288.99	2,205.75	(916.76)
BATTERIES	2,282.90	2,497.00	(214.10)
USED ELECTRONICS	11,256.59	18,090.22	(6,833.63)
	<hr/>	<hr/>	<hr/>
	\$695,786.50	\$864,831.69	(\$169,045.19)
<u>OTHER</u>			
COMPOST SALES	\$81,883.00	\$56,347.20	\$25,535.80
INTEREST ON INVESTMENTS	14,304.22	13,842.09	462.13
RENTAL OF HOMES	67,990.00	66,547.00	1,443.00
GRANTS	0.00	0.00	0.00
MISC. INCOME	12,806.70	12,335.92	470.78
	<hr/>	<hr/>	<hr/>
	\$176,983.92	\$149,072.21	\$27,911.71
TOTAL REVENUES	\$14,937,058.23	\$17,854,922.82	(\$2,917,864.59)
OPERATING EXPENSES	\$14,225,075.26	\$16,988,237.07	(\$2,763,161.81)
EXCESS	<hr/>	<hr/>	<hr/>
	\$711,982.97	\$866,685.75	(\$154,702.78)

SOCRRA
TOTAL SERVICE CHARGES
JULY 1, 2015 THROUGH MARCH 31, 2016

<u>MUNICIPALITY</u>	<u>TOTAL TONS</u>	<u>SERVICE CHARGES</u>
BERKLEY	7,054	\$689,494.22
BEVERLY HILLS	5,114	\$474,300.00
BIRMINGHAM	12,784	\$1,066,872.79
CLAWSON	5,806	\$584,059.21
FERNDALE	10,942	\$1,290,226.43
HAZEL PARK	6,649	\$819,090.13
HUNTINGTON WOODS	3,503	\$259,344.00
LATHRUP VILLAGE	2,290	\$214,113.49
OAK PARK	10,619	\$1,223,264.22
PLEASANT RIDGE	1,713	\$135,185.36
ROYAL OAK	28,845	\$2,950,758.90
TROY	31,026	\$3,169,561.69
	<hr/>	<hr/>
SUB-TOTAL	126,345	\$12,876,270.44
	<hr/>	<hr/>
OTHER CUSTOMERS	28,050	\$1,188,017.37
DROP OFF CENTERS	255	0.00
	<hr/>	<hr/>
TOTAL	154,650	\$14,064,287.81

SOCRRA
IMPROVEMENT FUND
JULY 1, 2015 THROUGH MARCH 31, 2016

FIXED ASSETS

EXPENDITURES

TS Cement	\$120,761.11
TS Wall	6,684.00
TS Loader Axle Replacement	10,576.41
TS Compactor Repair	11,213.65
TS Fence	5,200.00
TS Loader	70,371.99
CS SCARAB	55,119.19
John Deer Loader MRF	50,440.85
1670 School Rd	149,138.09
Rental Property Demolition and Repairs	21,758.03
Single Stream Conversion	33,682.05
MRF Baler Relining	32,730.60
TOTAL	<u>\$567,675.97</u>

\$567,675.97