

## QUARTERLY REPORT October 2016

<b>BOARD OF TRUSTEES</b>	
<b>Representative</b>	<b>Municipality</b>
M. Baumgarten	City of Berkley
C. Wilson	Village of Beverly Hills
J. Valentine	City of Birmingham
M. Pollock	City of Clawson
L. Cureton	City of Ferndale
A. LeCureaux	City of Hazel Park
A. Sullivan	City of Huntington Woods
K. Marten	City of Lathrup Village
R. Fortura	City of Oak Park
S. Pietrzak	City of Pleasant Ridge
G. Rassel	City of Royal Oak
K. Bovensiep	City of Troy

<b>OFFICERS</b>	
Chairman:	G. Rassel
Vice Chair:	C. Wilson
Secretary:	M. Pollock
Advisory Committee:	R. Fortura M. Pollock C. Wilson G. Rassel

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

Board of Trustees  
SOCRRA

Subject: Quarterly Report - October 2016

Board Members:

Attached is a copy of SOCRRA's Quarterly Report covering the first three months operation of the fiscal year 2016/17. 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 this Authority.

**BOARD OF TRUSTEES**

The governing body of the Authority is a Board of Trustees, consisting of one representative from each constituent municipality. The Board held its Organization Meeting on July 13, 2016, and members were elected to serve as Officers for the fiscal year beginning July 2016.

Following is a list of the current officers:

Chair:	Greg Rassel
Vice Chair:	Chris Wilson
Secretary:	Mark Pollock

Representatives on the Board are entitled to one vote for each 3,000 tons, or fraction thereof, of material delivered to the Authority during the preceding fiscal year. The number of votes of each constituent member for the fiscal year, beginning July 2016, is as follows:

<b>Municipality</b>	<b>Votes</b>
Berkley	4
Beverly Hills	3
Birmingham	6
Clawson	3
Ferndale	5
Hazel Park	3
Huntington Woods	2
Lathrup Village	2
Oak Park	5
Pleasant Ridge	1
Royal Oak	13
Troy	<u>15</u>
<b>Total:</b>	<b>62</b>

The Board meets in regular session once each month for the purpose of conducting all business coming before the Board.

The Authority is responsible for collecting recyclables, refuse and yard waste from the member communities and then recycling, disposing, or composting these materials. The Authority has entered into contracts with the individual members for a period extending to July 1, 2027. These contracts obligate the Authority to handle this material, charging rates sufficient to pay the operating costs and capital improvements.

### **FINANCIAL STATEMENT**

The total net income for the first 3 months of 2016/17 was \$973,799, before depreciation. This was \$866,372 greater than planned and a significant increase from the net income of \$456,336 for the same period of 2015/16.

	<u>Actual</u>	<u>Compared to Budget</u>
Revenue	\$5,680,975	+ \$ 787,445
Expenses	\$4,707,176	- \$ 78,927
Net Income	\$ 973,799	+ \$ 866,372

The increase in revenue was due primarily to greater than planned non-member refuse from Advanced Disposal, Car Trucking, Rizzo Services, Tringali Sanitation and our other cash customers (+\$374,000), the member surcharge, which was not included in our budget (+\$329,000), higher member services revenue (+\$77,000), higher tonnage of non-member yard waste (\$20,000) and higher than planned compost sales (+\$22,000), which were partially offset by lower proceeds from the sale of recycled material (-\$30,000). The sale of recycled material generated \$194,000, which was 13% lower than budgeted and almost identical to the revenue generated in the first quarter of 2015/16. The primary reasons for this decrease in revenue were the weak markets for all of our recycled materials.

Expenses were lower than budget due to reduced costs for maintenance (-\$62,000), labor (-\$39,000), non-labor Administrative and General expenses (-\$43,000), utilities (-\$12,000) and supplies (-\$6,000) which were partially offset by an increase in contract expenses (+\$82,000). Additional financial detail is attached.

### **MATERIAL HANDLED**

SOCRRA processed 55,011 tons of refuse, yard waste and recyclables during the first three months of the current fiscal year. This represents a decrease of 6.5% or 3,346 total tons compared to the same period last year. The amount of recycling from the member communities increased by 199 tons or 4.3%. Non-member refuse increased by 4,004 tons (41%) from the prior year.

Our recent history of tonnage handled is displayed in the table below:

	2012/13	2013/14	2014/15	2015/16	2016/17
Member Refuse	27,400	28,666	50,064	28,386	29,066
Non-Member Refuse	7,361	7,799	10,890	9,876	13,880
Member Recycling	4,242	4,485	4,206	4,649	4,848
Non-Member Recycling	145	127	132	117	134
Yard Waste	<u>7,676</u>	<u>9,274</u>	<u>7,838</u>	<u>8,637</u>	<u>7,083</u>
TOTAL	46,824	50,351	73,130	51,665	55,011

## **CAPITAL EXPENDITURES**

Capital expenditures totaled \$13,248 for the first quarter and were for the installation of ventilation louvers at the Troy Transfer Station, carpeting and painting at one of the rental houses in Rochester Hills and an initial expense for the conversion of SOCRRA's MRF to single stream operation.

## **MAJOR PROJECTS**

### **RECYCLED COMMODITY PRICES**

The prices that we receive for our recycled plastic and metal products have remained stable at very low levels. Revenue from the sale of recyclables was almost identical to last year but was \$30,000 (13.5%) below budget. 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.

### **MRF SINGLE STREAM RECYCLING**

During this quarter we made substantial progress on converting SOCRRA's curbside recycling program to single stream operation.

A contract with Machinex for the conversion of SOCRRA's MRF to single stream operation was completed and approved by the SOCRRA Board. Included in this project is the removal of all of our existing recycling equipment, demolition of the MRF tour room, extension of the MRF 75 feet to the west to develop additional space for the tipping floor, installation of a new single stream recycling system and the construction of a new MRF tour facility. We are working with Machinex to develop a construction schedule. The construction will require the shutdown of our recycling operations for about 6 months. We are working on alternative plans to continue our recycling programs. We anticipate that there will be no effect on our curbside recycling program but that our recycling drop off center will probably need to be relocated to a different location during the construction.

Our collection contracts with Car Trucking, Rizzo Services and Tringali Sanitation have been renegotiated to include the collection of the 65 gallon carts that will be used for single stream recycling.

SOCRRA has received grants from the MDEQ totaling \$450,000 toward the purchase of the 110,000 recycling carts that will be delivered to each of the households in the SOCRRA communities. We have also been awarded a grant of \$150,000 from The Recycling Partnership toward the purchase of the recycling carts. Our project schedule calls for the carts to be distributed in the middle part of 2017. Detailed project planning, including a publicity campaign, will be completed during the 4<sup>th</sup> quarter of 2016.

At the end of September, we were close to completing the sale of \$12.8 million in revenue bonds to finance the MRF conversion and the purchase of the recycling carts. This has been a very long and complicated process but it is nearing conclusion and it appears that we will receive a very favorable rate of interest on these revenue bonds.

### **COLLECTION CONTRACTS**

SOCRRA's current collection and disposal contracts all expire on June 30, 2017 and each contract has a 10 year extension, at SOCRRA's sole option. After extensive discussion with the SOCRRA Board, we decided to extend the contracts for a second year term. As part of the

extensions, the contractors agreed to some price concessions and to collect curbside recycling from 65 gallon recycling carts that will be deployed as part of our conversion to single stream recycling. In addition, at the request of Hazel Park, Hazel Park was removed from the Tringali contract and added to the Rizzo contract. All of the changes will take place as of July 1, 2017 when the contract extensions begin.

**RECYCLING REBATES**

During 2015/16, SOCRRA member communities earned a total of \$485,613 in credits for the recyclables generated from the curbside recycling program in their community. These credits reduced the amount that each community pays for the services provided by SOCRRA. This was lower than the amount credited to the member communities for recycling in 2014/15 due to lower commodity prices. However, for 2016/17, the price per ton credited to the member communities for recycling was reduced from \$25 per ton to \$20 per ton due to the continued low prices we are receiving for our recycled materials.

**RECYCLING REBATES CREDITED TO SOCRRA COMMUNITIES**

COMMUNITY	REBATE PAID
Berkley	\$26,802
Beverly Hills	30,910
Birmingham	56,504
Clawson	18,600
Ferndale	44,240
Hazel Park	14,930
Huntington Woods	25,943
Lathrup Village	7,169
Oak Park	22,371
Pleasant Ridge	7,687
Royal Oak	100,889
Troy	<u>129,568</u>
TOTAL	\$485,613

**STYROFOAM RECYCLING**

Styrofoam recycling has proven to be a very popular addition to our recycling drop off center in Troy. Through the end of September, we have recycled 9 tons of Styrofoam during 2016 compared to the 10 tons recycled through all of 2015. We are generating enough Styrofoam to fill a semi-trailer every other week. Our facility is now one of the largest Styrofoam recycling centers in the state.

**SALARIED STAFF CHANGES**

Karen Mallender, who had been the Accountant/Treasurer for both SOCWA and SOCRRA for over 28 years, retired as of September 1, 2016. We wish Karen well in her retirement. After conducting a very thorough search and interview process, we hired Terri Mazure as our Manager of Finance and Accounting. Terri started with us on September 12, 2016. We are using this transition as an opportunity to reexamine and update all of our accounting procedures and systems.

**ANNUAL AUDIT**

Representatives of Plante & Moran were in the SOCRRA office for a week during September performing their audit of our accounting records. The final audit is being reviewed with the SOCRRA Audit Committee during October, 2016 and will be reviewed by the SOCRRA Board at their November, 2016 meeting.

Respectfully submitted,

Jeffrey A. McKeen, P.E.  
General Manager

SOCRRA  
STATEMENT OF INCOME  
JULY 1, 2016 THROUGH SEPTEMBER 30, 2016

<u>REVENUES</u>	<u>ESTIMATED</u>	<u>ACTUAL</u>	<u>VARIANCES</u>
MEMBER SERVICES	\$4,432,830.00	\$4,838,842.59	\$406,012.59
NON-MEMBER REFUSE	165,000.00	538,602.94	373,602.94
NON MEMBER YARD WASTE	12,000.00	31,836.51	19,836.51
	<hr/>	<hr/>	<hr/>
	\$4,609,830.00	\$5,409,282.04	\$799,452.04
 <u>RECYCLING</u>			
NEWSPAPERS	\$96,000.00	\$86,107.75	(\$9,892.25)
BOXBOARD	36,000.00	61,151.90	\$25,151.90
CARDBOARD	10,000.00	2,304.75	(7,695.25)
PLASTIC	66,000.00	26,062.25	(39,937.75)
SCRAP METAL	5,000.00	10,744.62	5,744.62
TIN CANS	7,000.00	4,160.66	(2,839.34)
NON FERROUS METAL	2,000.00	1,956.36	(43.64)
GLASS	2,000.00	0.00	(2,000.00)
BATTERIES	600.00	1,882.00	1,282.00
USED ELECTRONICS	0.00	0.00	0.00
	<hr/>	<hr/>	<hr/>
	\$224,600.00	\$194,370.29	(\$30,229.71)
 <u>OTHER</u>			
REVENUES-COMPOST	\$21,000.00	\$42,983.00	\$21,983.00
INTEREST ON INVESTMENTS	5,100.00	2,791.17	(2,308.83)
RENTAL INCOME	27,000.00	29,434.00	2,434.00
GRANTS	0.00	0.00	0.00
MISC. INCOME	6,000.00	2,114.00	(3,886.00)
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	\$59,100.00	\$77,322.17	\$18,222.17
 TOTAL REVENUES	 <hr/> <hr/>	 <hr/> <hr/>	 <hr/> <hr/>
	\$4,893,530.00	\$5,680,974.50	\$787,444.50
 <u>EXPENSES</u>			
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCES</u>
	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>	
MADISON HEIGHTS FACILITY	\$13,950.00	\$4,714.50	(\$9,235.50)
TROY TRANSFER FACILITY	354,750.00	418,128.54	63,378.54
MATERIAL RECOVERY FACILITY	321,300.00	253,492.49	(67,807.51)
HOUSEHOLD HAZARDOUS WASTE	88,100.00	26,686.53	(61,413.47)
COMPOST/LANDFILL FACILITY	128,000.00	106,423.76	(21,576.24)
ADMINISTRATIVE & GENERAL	379,700.00	302,342.00	(77,358.00)
COLLECTION FEES	1,615,469.00	1,588,905.47	(26,563.53)
COLLECTION & DISPOSAL FEES IN TRANSIT	1,884,834.00	2,006,482.69	121,648.69
	<hr/>	<hr/>	<hr/>
	\$4,786,103.00	\$4,707,175.98	(\$78,927.02)
 REVENUES OVER EXPENSES	 <hr/> <hr/>	 <hr/> <hr/>	 <hr/> <hr/>
	\$107,427.00	\$973,798.52	\$866,371.52
 NET INCOME BEFORE DEPRECIATION	 <hr/> <hr/>	 <hr/> <hr/>	 <hr/> <hr/>
	\$107,427.00	\$973,798.52	\$866,371.52

SOCRRA  
STATEMENT OF INCOME  
JULY 1, 2016 THROUGH SEPTEMBER 2016

<u>REVENUE</u>	<u>TOTAL TONS</u>	<u>AMOUNT</u>
MEMBER SERVICES	29,066.15	\$4,838,842.59
NON-MEMBER REFUSE	13,880.06	538,602.94
<u>YARD WASTE</u>		
MEMBERS	6,719.24	0.00
OTHERS	363.38	31,836.51
<u>RECYCLABLES</u>		
MEMBERS	4,847.52	0.00
OTHERS	134.07	0.00
	55,010.42	\$5,409,282.04
<u>RECYCLING</u>		
NEWSPAPERS		\$86,107.75
BOXBOARD		61,151.90
CARDBOARD		2,304.75
PLASTIC		26,062.25
SCRAP METAL		10,744.62
TIN CANS		4,160.66
NON FERROUS METAL		1,956.36
GLASS		0.00
BATTERIES		1,882.00
USED ELECTRONICS		0.00
		\$194,370.29
<u>OTHER</u>		
COMPOST SALES		\$42,983.00
INTEREST ON INVESTMENTS		2,791.17
RENTAL INCOME		29,434.00
GRANTS		0.00
MISC. INCOME		2,114.00
		77,322.17
TOTAL REVENUE		\$5,680,974.50
<u>EXPENSES</u>		
MADISON HEIGHTS FACILITY		\$4,714.50
TROY TRANSFER FACILITY		418,128.54
MATERIAL RECOVERY FACILITY		253,492.49
HOUSEHOLD HAZARDOUS WASTE		26,686.53
COMPOST/LANDFILL FACILITY		106,423.76
ADMINISTRATIVE & GENERAL		302,342.00
COLLECTION CONTRACT EXPENSES		1,588,905.47
COLLECTION & DISPOSAL FEES IN TRANSIT		2,006,482.69
		\$4,707,175.98
NET INCOME BEFORE DEPRECIATION		\$973,798.52
DEPRECIATION		118,591.00
NET INCOME		\$855,207.52



SOCRRA  
 STATEMENT OF REVENUES & EXPENDITURES  
 COMPARED WITH TOTAL BUDGET  
 JULY 1, 2016 THROUGH SEPTEMBER 30, 2016

<u>REVENUES</u>	<u>TOTAL BUDGET 2016/2017</u>	<u>ACTUAL 3 MONTHS</u>	<u>BALANCE</u>	
MEMBERS SERVICES	\$17,731,324.00	\$4,838,842.59	\$12,892,481.41	27%
NON-MEMBER REFUSE	660,000.00	538,602.94	121,397.06	82%
<u>YARD WASTE</u>				
NON-MEMBERS	70,000.00	31,836.51	38,163.49	45%
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<u>RECYCLABLES</u>				
NEWSPAPERS	\$595,000.00	\$86,107.75	\$508,892.25	14%
BOXBOARD	214,000.00	61,151.90	152,848.10	29%
CARDBOARD	56,000.00	2,304.75	53,695.25	4%
PLASTIC	405,000.00	26,062.25	378,937.75	6%
SCRAP METAL	31,000.00	10,744.62	20,255.38	35%
TIN CANS	43,000.00	4,160.66	38,839.34	10%
NON FERROUS METAL	13,000.00	1,956.36	11,043.64	15%
GLASS	10,000.00	0.00	10,000.00	0%
BATTERIES	4,000.00	1,882.00	2,118.00	47%
USED ELECTRONICS	0.00	0.00	0.00	0%
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	\$1,371,000.00	\$194,370.29	\$1,176,629.71	14%
<u>OTHER</u>				
COMPOST SALES	\$90,000.00	\$42,983.00	\$47,017.00	48%
INTEREST ON INVESTMENTS	20,000.00	2,791.17	17,208.83	14%
RENTAL OF HOMES	108,000.00	29,434.00	78,566.00	27%
GRANTS	0.00	0.00	0.00	0%
MISC. INCOME	25,000.00	2,114.00	22,886.00	8%
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	\$243,000.00	\$77,322.17	\$165,677.83	32%
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TOTAL REVENUES	\$20,075,324.00	\$5,680,974.50	\$14,394,349.50	28%

SOCRRA  
 STATEMENT OF REVENUES & EXPENDITURES  
 COMPARED WITH TOTAL BUDGET  
 JULY 1, 2016 THROUGH SEPTEMBER 30, 2016

<u>EXPENSES</u>	<u>TOTAL BUDGET 2016/2017</u>	<u>ACTUAL 3 MONTHS</u>	<u>BALANCE</u>	
MADISON HEIGHTS FACILITY	\$107,200.00	\$4,714.50	\$102,485.50	4%
TROY TRANSFER FACILITY	3,170,327.00	418,128.54	2,752,198.46	13%
MATERIAL RECOVERY FACILITY	1,293,400.00	253,492.49	1,039,907.51	20%
HOUSEHOLD HAZARDOUS WASTE	340,100.00	26,686.53	313,413.47	8%
COMPOST/LANDFILL FACILITY	461,800.00	106,423.76	355,376.24	23%
ADMINISTRATIVE & GENERAL	1,326,000.00	302,342.00	1,023,658.00	23%
COLLECTION & DISPOSAL FEES	12,183,640.00	1,588,905.47	10,594,734.53	13%
COLLECTION & DISPOSAL FEES IN TRANSIT	0.00	2,006,482.69	(2,006,482.69)	0%
	<u>\$18,882,467.00</u>	<u>\$4,707,175.98</u>	<u>\$14,175,291.02</u>	
TOTAL EXPENDITURES	<u>\$18,882,467.00</u>	<u>\$4,707,175.98</u>	<u>\$14,175,291.02</u>	25%
NET INCOME	<u>\$1,192,857.00</u>	<u>\$973,798.52</u>	<u>\$219,058.48</u>	82%

S O C R R A  
 COMPARATIVE STATEMENT  
 JULY 1, 2016 THROUGH SEPTEMBER 30, 2016

	<u>2016/2017</u>	<u>2015/2016</u>	<u>VARIANCES</u>
<u>REVENUES</u>			
MEMBER SERVICES	\$4,838,842.59	\$4,240,358.00	\$598,484.59
NON MEMBER REFUSE	538,602.94	410,011.45	128,591.49
<u>YARD WASTE</u>			
MEMBERS	0.00	0.00	0.00
OTHERS	31,836.51	36,394.40	(4,557.89)
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	\$5,409,282.04	\$4,686,763.85	\$722,518.19
<u>RECYCLABLES</u>			
NEWSPAPERS	\$86,107.75	\$71,292.48	\$14,815.27
BOXBOARD	61,151.90	31,537.31	29,614.59
CARDBOARD	2,304.75	8,935.86	(6,631.11)
PLASTIC	26,062.25	59,208.32	(33,146.07)
SCRAP METAL	10,744.62	9,745.69	998.93
TIN CANS	4,160.66	6,844.13	(2,683.47)
NON FERROUS METAL	1,956.36	2,999.55	(1,043.19)
GLASS	0.00	0.00	0.00
BATTERIES	1,882.00	1,676.00	206.00
USED ELECTRONICS	0.00	2,308.85	(2,308.85)
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	\$194,370.29	\$194,548.19	(\$177.90)
<u>OTHER</u>			
COMPOST SALES	\$42,983.00	\$23,836.00	\$19,147.00
INTEREST ON INVESTMENTS	2,791.17	2,120.75	670.42
RENTAL OF HOMES	29,434.00	17,705.00	11,729.00
GRANTS	0.00	0.00	0.00
MISC. INCOME	2,114.00	2,024.72	89.28
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	\$77,322.17	\$45,686.47	\$31,635.70
TOTAL REVENUES	\$5,680,974.50	\$4,926,998.51	\$753,975.99
OPERATING EXPENSES	\$4,707,175.98	\$4,470,662.38	\$236,513.60
EXCESS	<hr/>	<hr/>	<hr/>
	\$973,798.52	\$456,336.13	\$517,462.39

SOCRRA  
TOTAL SERVICE CHARGES  
JULY 1, 2016 THROUGH SEPTEMBER 30, 2016

<u>MUNICIPALITY</u>	<u>TOTAL TONS</u>	<u>SERVICE CHARGES</u>
BERKLEY	2,073	\$253,591.46
BEVERLY HILLS	1,598	\$173,835.00
BIRMINGHAM	3,574	\$390,872.27
CLAWSON	1,833	\$219,533.83
FERNDALE	3,762	\$470,774.38
HAZEL PARK	2,326	\$297,764.13
HUNTINGTON WOODS	1,017	\$88,247.75
LATHRUP VILLAGE	701	\$78,133.64
OAK PARK	3,669	\$456,468.08
PLEASANT RIDGE	480	\$49,406.26
ROYAL OAK	8,814	\$1,196,583.75
TROY	10,773	\$1,163,632.04
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SUB-TOTAL	40,621	\$4,838,842.59
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OTHER CUSTOMERS	14,262	\$570,439.45
DROP OFF CENTERS	127	0.00
	<hr/>	<hr/>
TOTAL	55,010	\$5,409,282.04

SOCRRA  
IMPROVEMENT FUND  
JULY 1, 2016 THROUGH SEPTEMBER 30, 2016

FIXED ASSETS

EXPENDITURES

TS remove/install louvers	6,765.00
MRF Conversion Project	1,282.50
Paint/Carpet Final Downpayment	2,600.00
Paint/Carpet 50% Payment	2,600.00
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\$	13,247.50