

QUARTERLY REPORT OCTOBER 2010

BOARD OF TRUSTEES	
Representative	Municipality
J. Bais-DiSessa	City of Berkley
C. Wilson	Village of Beverly Hills
T. M. Markus	City of Birmingham
M. Pollock	City of Clawson
B. A. Photiades	City of Ferndale
A. LeCureaux	City of Hazel Park
A. R. Allie	City of Huntington Woods
J. Mueller	City of Lathrup Village
K. Yee	City of Oak Park
S. W. Ball	City of Pleasant Ridge
G. Rassel	City of Royal Oak
T. L. Richnak	City of Troy

OFFICERS	
Chair:	S. W. Ball
Vice Chair:	B. A. Photiades
Secretary:	J. Mueller
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
L. Dean	Superintendent

Board of Trustees
SOCRRA

Subject: Quarterly Report - October 2010

Board Members:

Attached is a copy of SOCRRA's Quarterly Report covering the first three 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 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 14, 2010, and members were elected to serve as Officers for the fiscal year beginning July 2010.

Following is a list of the current officers:

Chair:	Sherry Ball
Vice Chair:	Byron Photiades
Secretary:	Jeff Mueller

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 2010, is as follows:

Municipality	Votes
Berkley	3
Beverly Hills	3
Birmingham	6
Clawson	4
Ferndale	5
Hazel Park	4
Huntington Woods	2
Lathrup Village	2
Oak Park	5
Pleasant Ridge	1
Royal Oak	14
Troy	<u>15</u>
Total:	64

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 2010/11 was -\$100,975, before depreciation. This result was significantly worse than the net loss of \$692 that was budgeted for this period.

	<u>Actual</u>	<u>Compared to Budget</u>
Revenue	\$4,480,623	- \$71,433
Expenses	\$4,581,598	+ \$ 28,850
Net Income	-\$ 100,975	- \$ 100,283

The decrease in revenue was due primarily to the lower than planned proceeds from the sale of recycled material (-\$74,000), decreased non-member yard waste volume (-26,000) partially offset by increased member revenue (+\$19,000) and increased revenue for non-member refuse (+\$17,000). Actual revenue was 1.6% below budget. The sale of recycled material generated \$266,000, which was 22% lower than budgeted and was 8% less than the revenue generated in the first quarter of 2009/10. The primary reason for this decrease in revenue is the expiration of the fixed price contract for our recycled paper streams. The contract that began on July 1 has market based prices, which have been lower than the fixed prices we previously received.

Expenses were above budget primarily due to higher than budgeted costs for collection contracts (+\$49,000) labor (+\$30,000) and maintenance (+\$33,000), partially offset by non-labor Administrative and General expenses (-\$89,000), which are partially an issue of timing. Additional financial detail is attached.

MATERIAL HANDLED

SOCRRA processed 44,967 tons of refuse, yard waste and recyclables during the first three months of the current fiscal year. This represents a decrease of 3.4% or 1,572 total tons compared to the same period last year. We are continuing to observe a decrease in the amount of refuse tonnage delivered by the member communities, although the rate of decrease has slowed. The amount of member refuse decreased by 0.8% compared to the previous fiscal year. Member recycling increased by 155 tons or 3.8%. The increase in member recycling was more than offset by a decline in the amount of recycling brought in by Rizzo Services. Non-member recycling tonnage decreased by 60%.

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

	2006/07	2007/08	2008/09	2009/10	2010/11
Member Refuse	32,604	30,765	29,938	28,597	28,363
Non-Member Refuse	2,872	2,006	2,256	2,947	3,539
Member Recycling	3,917	3,797	4,112	4,035	4,190
Non-Member Recycling	95	128	84	945	377
Yard Waste	5,879	7,929	8,905	10,044	8,499
TOTAL	45,367	44,625	45,295	46,568	44,968

CAPITAL EXPENDITURES

Capital expenditures totaled \$34,000 for the first quarter. The major expenditures were the payments for the new horizontal grinder at the Compost Site (\$28,000) and for the replacement of a portion of the driveway for the Troy Transfer Station (\$6,000).

MAJOR PROJECTS

RECYCLED COMMODITY PRICES

During the first quarter of 2010/11, the prices that we receive for our recycled materials fell and then began to recover. The most important factor in our prices was that our 3 year fixed price contract for paper materials expired on June 30. The new contract, which has market based prices, has resulted in lower revenue than planned for the quarter. However, prices seem to be improving as we enter the 2nd quarter. The prices that we receive for our plastic products are higher than budgeted, metal prices are very close to budget and paper prices are a little less than budget. We are continuing to have to pay to recycle our mixed color glass and our stream of mixed #1 to #7 injection molded plastics. During the first quarter, we were only able to ship about 50,000 pounds of the mixed #1-#7 material for recycling. We continue to have to work diligently to find outlets for this material. The prices that we receive for our recycled products will be much more volatile than they have been in the past.

EECBG RECYCLING GRANT PROJECTS

We are continuing to work on several recycling improvement projects that have been funded by the State of Michigan under the Energy Efficiency Community Block Grant Program (EECBG). Under two grants, we are conducting single stream recycling pilots using recycling carts in Beverly Hills and Huntington Woods, commercial recycling pilots in Pleasant Ridge and Berkley, and performing a feasibility study to upgrade SOCRRA's recycling collection and processing system to single stream operation. Under single stream recycling, the entire recyclables stream is collected as a mixed, single stream, eliminating the need for the recycling truck driver to sort materials at curbside. This should make the collection of recyclables more efficient. The commingled materials then require additional separation at SOCRRA's MRF which would require a major capital investment in additional sorting equipment.

For the pilots being performed in Huntington Woods and Beverly Hills, we have provided 65 gallon recycling carts on wheels to approximately 1,000 households in the pilot areas. Combining the use of single stream recycling with carts should make it easier for residents to

recycle more material. We have been collecting single stream recycling in these areas since early June. We have noticed an increase in the amount of material being recycled in Beverly Hills and an increase in the number of households recycling in Huntington Woods. We are continuing to collect data on a weekly basis through the end of January of 2011. During October, we are conducting a survey of the residents of the pilot areas to determine their satisfaction with the recycling carts and single stream recycling.

The single stream upgrade feasibility study will determine the costs and benefits of converting SOCRRA's recycling system, including our MRF, to single stream operation. We have worked with our consultant, RRS from Ann Arbor, MI to develop a conceptual design for the conversion of our MRF to single stream operation. The costs and benefits of this conversion are being reviewed.

All of the grant activities must be completed by January 31, 2011. Huntington Woods is acting as the lead agency for this grant. We are working with Huntington Woods to ensure that all of the required reporting is completed by the appropriate due dates.

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. We engaged in a mediation process with Rochester Hills using the services of Judge Mester, who has retired from Oakland County Circuit Court. We were finally able to convince Rochester Hills to enter into a settlement agreement that was very similar to an agreement we originally proposed in mid 2009. The settlement requires us to pay sewer charges for 2001 to 2003, but allows the parties to seek a partial refund from DWSD for incorrect meter readings during this time period. The settlement also reduces the mark-up applied by Rochester Hills to the bill that they receive from Oakland County for the sewer that services our property to a much more reasonable number. This will result in substantial savings over time. The settlement agreement has been approved by the SOCRRA Board and by the Rochester Hills City Council and is being entered with Oakland County Circuit Court.

PROCESSING MATERIALS FROM OTHER COMMUNITIES

The Detroit incinerator shut down on October 1, 2010. As a result, Rizzo Services has substantially increased the amount of refuse they deliver to the Troy Transfer Station from other communities. Tringali Sanitation has also begun to deliver refuse from other communities to the Troy Transfer Station for disposal. We are working with Rizzo Services to modify their existing contract to account for the significantly higher volume and we are working with Tringali Sanitation to develop a contract for this service. It is unclear whether the shutdown of the incinerator is permanent, but with each passing day, it appears more likely that it will become permanent. The incremental revenue from Rizzo and Tringali will help us to offset the fixed costs of running the Troy Transfer Station

RECYCLING BIN BLITZ V

As part of our celebration of America Recycles Day on November 15, during the month of November, SOCRRA and the member communities will again be selling recycling bins at a reduced price of \$6. This is about half of the usual price. We are doing this 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. We hope to sell 1,000 recycling bins during the month of November.

TEAMSTERS CONTRACT

We successfully negotiated a new labor contract with the non-supervisory unit of the Teamsters that runs until June 30, 2012. The contract includes a 2 year wage freeze, significant changes in health care insurance, a 2.5% employee contribution towards their MERS pension and all new employees being provided a pension using the MERS Hybrid plan, which combines a smaller defined benefit plan with a defined contribution plan. This allows MERS to leave our existing pension groups open for actuarial purposes. These changes resulted in significant cost reductions. We will be negotiating a new contract with the supervisory unit of the Teamsters in November.

ANNUAL AUDIT

Representatives of Plante & Moran were in the SOCRRA office for about a week during September performing their audit of our accounting records. The final audit is being reviewed with the SOCRRA Audit Committee during October, 2010 and will be reviewed by the SOCRRA Board at their November, 2010 meeting.

RETIREMENT OF KATHY HYDE

Kathy Hyde, who was the Board Secretary and our Education Coordinator, among many other roles, retired from SOCRRA on October 1 after 32 ½ years of service. We recognized Kathy and her many accomplishments at a retirement party on October 1. Karen Bever of the SOCRRA staff has agreed to take over Kathy's role as Board Secretary. We are evaluating how to fill the other roles that Kathy performed for us. Kathy will be missed.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

SOCRRA
STATEMENT OF INCOME
JULY 1, 2010 THROUGH SEPTEMBER 30, 2010

<u>REVENUES</u>	<u>ESTIMATED</u>	<u>ACTUAL</u>	<u>VARIANCES</u>
MEMBER SERVICES	\$3,943,806.00	\$3,963,126.37	\$19,320.37
NON-MEMBER REFUSE	180,000.00	196,920.08	16,920.08
NON MEMBER YARD WASTE	40,000.00	14,208.00	(25,792.00)
	<hr/> \$4,163,806.00	<hr/> \$4,174,254.45	<hr/> \$10,448.45
<u>RECYCLING</u>			
NEWSPAPERS	\$195,000.00	\$135,653.66	(\$59,346.34)
PLASTICS	70,000.00	54,440.54	(15,559.46)
CARDBOARD	32,000.00	43,264.82	11,264.82
TIN CANS	20,000.00	15,939.35	(4,060.65)
SCRAP METAL	15,000.00	12,124.38	(2,875.62)
NON FERROUS METAL	4,000.00	1,231.56	(2,768.44)
GLASS	3,500.00	2,755.97	(744.03)
BATTERIES	1,000.00	1,002.27	2.27
	<hr/> \$340,500.00	<hr/> \$266,412.55	<hr/> (\$74,087.45)
<u>OTHER</u>			
REVENUES-COMPOST	\$14,000.00	\$11,649.00	(\$2,351.00)
INTEREST ON INVESTMENTS	3,750.00	1,655.03	(2,094.97)
RENTAL INCOME	24,000.00	22,700.00	(1,300.00)
GRANTS	0.00	0.00	0.00
MISC. INCOME	6,000.00	3,951.85	(2,048.15)
	<hr/> \$47,750.00	<hr/> \$39,955.88	<hr/> (\$7,794.12)
TOTAL REVENUES	<hr/> <hr/> \$4,552,056.00	<hr/> <hr/> \$4,480,622.88	<hr/> <hr/> (\$71,433.12)
<u>EXPENSES</u>			
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCES</u>
	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>	
MADISON HEIGHTS FACILITY	\$9,485.00	\$5,051.29	(\$4,433.71)
TROY TRANSFER FACILITY	295,824.00	303,134.10	7,310.10
MATERIAL RECOVERY FACILITY	222,782.00	271,585.88	48,803.88
HOUSEHOLD HAZARDOUS WASTE	60,173.00	67,822.20	7,649.20
COMPOST/LANDFILL FACILITY	88,366.00	122,335.00	33,969.00
ADMINISTRATIVE & GENERAL	407,384.00	318,246.52	(89,137.48)
COLLECTION FEES	1,702,511.00	1,559,682.03	(142,828.97)
COLLECTION & DISPOSAL FEES IN TRANSIT	1,766,223.00	1,933,741.12	167,518.12
	<hr/> \$4,552,748.00	<hr/> \$4,581,598.14	<hr/> \$28,850.14
REVENUES OVER EXPENSES	(\$692.00)	(\$100,975.26)	(\$100,283.26)
NET INCOME BEFORE DEPRECIATION	<hr/> <hr/> (\$692.00)	<hr/> <hr/> (\$100,975.26)	<hr/> <hr/> (\$100,283.26)

SOCRRA
STATEMENT OF INCOME
JULY 1, 2010 THROUGH SEPTEMBER 30, 2010

<u>REVENUE</u>	<u>TOTAL TONS</u>	<u>AMOUNT</u>
MEMBER SERVICES	28,362.85	\$3,963,126.37
NON-MEMBER REFUSE	3,539.21	196,920.08
<u>YARD WASTE</u>		
MEMBERS	8,303.84	0.00
OTHERS	195.01	14,208.00
<u>RECYCLABLES</u>		
MEMBERS	4,189.51	0.00
OTHERS	376.50	0.00
	<hr/>	<hr/>
	44,966.92	\$4,174,254.45
<u>RECYCLING</u>		
NEWSPAPERS		\$135,653.66
PLASTICS		54,440.54
CARDBOARD		43,264.82
TIN CANS		15,939.35
SCRAP METAL		12,124.38
NON FERROUS METAL		1,231.56
GLASS		2,755.97
BATTERIES		1,002.27
		<hr/>
		\$266,412.55
<u>OTHER</u>		
COMPOST SALES		\$11,649.00
INTEREST ON INVESTMENTS		1,655.03
RENTAL INCOME		22,700.00
GRANTS		0.00
MISC. INCOME		3,951.85
		<hr/>
		\$39,955.88
TOTAL REVENUE		<hr/> <hr/>
		\$4,480,622.88
<u>EXPENSES</u>		
MADISON HEIGHTS FACILITY		\$5,051.29
TROY TRANSFER FACILITY		303,134.10
MATERIAL RECOVERY FACILITY		271,585.88
HOUSEHOLD HAZARDOUS WASTE		67,822.20
COMPOST/LANDFILL FACILITY		122,335.00
ADMINISTRATIVE & GENERAL		318,246.52
COLLECTION CONTRACT EXPENSES		1,559,682.03
COLLECTION & DISPOSAL FEES IN TRANSIT		1,933,741.12
		<hr/>
		\$4,581,598.14
NET INCOME BEFORE DEPRECIATION		(\$100,975.26)
DEPRECIATION		105,836.28
NET INCOME		<hr/> <hr/>
		(\$206,811.54)

SOCRRA
 STATEMENT OF REVENUES & EXPENDITURES
 COMPARED WITH TOTAL BUDGET
 JULY 1, 2010 THROUGH SEPTEMBER 30, 2010

<u>REVENUES</u>	<u>TOTAL BUDGET 2010/11</u>	<u>ACTUAL 3 MONTHS</u>	<u>BALANCE</u>	
MEMBERS SERVICES	\$15,775,221.00	\$3,963,126.37	\$11,812,094.63	25%
NON-MEMBER REFUSE	590,000.00	196,920.08	393,079.92	33%
<u>YARD WASTE</u>				
NON-MEMBERS	75,000.00	14,208.00	60,792.00	19%
<hr/>				
	\$16,440,221.00	\$4,174,254.45	\$12,265,966.55	
<u>RECYCLABLES</u>				
NEWSPAPERS	\$1,150,000.00	\$135,653.66	\$1,014,346.34	12%
PLASTICS	358,000.00	54,440.54	303,559.46	15%
CARDBOARD	190,000.00	43,264.82	146,735.18	23%
TIN CANS	120,000.00	15,939.35	104,060.65	13%
SCRAP METAL	89,000.00	12,124.38	76,875.62	14%
NON FERROUS METAL	25,000.00	1,231.56	23,768.44	5%
GLASS	21,000.00	2,755.97	18,244.03	13%
BATTERIES	5,000.00	1,002.27	3,997.73	20%
<hr/>				
	\$1,958,000.00	\$266,412.55	\$1,691,587.45	14%
<u>OTHER</u>				
COMPOST SALES	\$40,000.00	\$11,649.00	\$28,351.00	29%
INTEREST ON INVESTMENTS	15,000.00	1,655.03	13,344.97	11%
RENTAL OF HOMES	95,800.00	22,700.00	73,100.00	24%
GRANTS	0.00	0.00	0.00	0%
MISC. INCOME	25,000.00	3,951.85	21,048.15	16%
<hr/>				
	\$175,800.00	\$39,955.88	\$135,844.12	23%
TOTAL REVENUES	<hr/> <hr/> \$18,574,021.00	<hr/> <hr/> \$4,480,622.88	<hr/> <hr/> \$14,093,398.12	24%

SOCRRA
 STATEMENT OF REVENUES & EXPENDITURES
 COMPARED WITH TOTAL BUDGET
 JULY 1, 2010 THROUGH SEPTEMBER 30, 2010

<u>EXPENSES</u>	<u>TOTAL BUDGET 2010/11</u>	<u>ACTUAL 3 MONTHS</u>	<u>BALANCE</u>	
MADISON HEIGHTS FACILITY	\$126,225.00	\$5,051.29	\$121,173.71	4%
TROY TRANSFER FACILITY	2,762,272.00	303,134.10	2,459,137.90	11%
MATERIAL RECOVERY FACILITY	940,765.00	271,585.88	669,179.12	29%
HOUSEHOLD HAZARDOUS WASTE	276,206.00	67,822.20	208,383.80	25%
COMPOST/LANDFILL FACILITY	405,470.00	122,335.00	283,135.00	30%
ADMINISTRATIVE & GENERAL	1,403,400.00	318,246.52	1,085,153.48	23%
COLLECTION & DISPOSAL FEES	11,735,213.00	1,559,682.03	10,175,530.97	13%
COLLECTION & DISPOSAL FEES IN TRANSIT	0.00	1,933,741.12	(1,933,741.12)	0%
	<u>\$17,649,551.00</u>	<u>\$4,581,598.14</u>	<u>\$13,067,952.86</u>	
 TOTAL EXPENDITURES	 <u>\$17,649,551.00</u>	 <u>\$4,581,598.14</u>	 <u>\$13,067,952.86</u>	 26%
 NET INCOME	 <u>\$924,470.00</u>	 <u>(\$100,975.26)</u>	 <u>\$1,025,445.26</u>	 -11%

COMPARATIVE STATEMENT
 JULY 1, 2010 THROUGH SEPTEMBER 30, 2010

	<u>2010/11</u>	<u>2009/10</u>	<u>VARIANCES</u>
<u>REVENUES</u>			
MEMBER SERVICES	\$3,963,126.37	\$3,882,854.50	\$80,271.87
NON MEMBER REFUSE	196,920.08	176,666.84	20,253.24
<u>YARD WASTE</u>			
MEMBERS	0.00	0.00	0.00
OTHERS	14,208.00	11,997.20	2,210.80
	<hr/>	<hr/>	<hr/>
	\$4,174,254.45	\$4,071,518.54	\$102,735.91
<u>RECYCLABLES</u>			
NEWSPAPERS	\$135,653.66	\$204,722.75	(\$69,069.09)
PLASTICS	54,440.54	46,769.08	7,671.46
CARDBOARD	43,264.82	18,129.60	25,135.22
TIN CANS	15,939.35	4,924.10	11,015.25
SCRAP METAL	12,124.38	7,841.08	4,283.30
NON FERROUS METAL	1,231.56	1,890.40	(658.84)
GLASS	2,755.97	3,195.15	(439.18)
BATTERIES	1,002.27	1,662.44	(660.17)
	<hr/>	<hr/>	<hr/>
	\$266,412.55	\$289,134.60	(\$22,722.05)
<u>OTHER</u>			
COMPOST SALES	\$11,649.00	\$10,427.00	\$1,222.00
INTEREST ON INVESTMENTS	1,655.03	1,507.48	147.55
RENTAL OF HOMES	22,700.00	23,934.26	(1,234.26)
GRANTS	0.00	0.00	0.00
MISC. INCOME	3,951.85	4,032.09	(80.24)
	<hr/>	<hr/>	<hr/>
	\$39,955.88	\$39,900.83	\$55.05
TOTAL REVENUES	\$4,480,622.88	\$4,400,553.97	\$80,068.91
OPERATING EXPENSES	\$4,581,598.14	\$4,354,367.06	\$227,231.08
EXCESS	<hr/>	<hr/>	<hr/>
	(\$100,975.26)	\$46,186.91	(\$147,162.17)

SOCRRA
TOTAL SERVICE CHARGES
JULY 1, 2010 THROUGH SEPTEMBER 30, 2010

<u>MUNICIPALITY</u>	<u>TOTAL TONS</u>	<u>SERVICE CHARGES</u>
BERKLEY	2,018	\$205,062.00
BEVERLY HILLS	1,818	145,908.00
BIRMINGHAM	3,407	327,298.98
CLAWSON	2,156	171,918.00
FERNDALE	3,553	384,744.90
HAZEL PARK	2,236	253,632.00
HUNTINGTON WOODS	942	82,380.00
LATHRUP VILLAGE	701	64,344.00
OAK PARK	3,603	362,256.00
PLEASANT RIDGE	389	40,620.41
ROYAL OAK	8,887	986,354.04
TROY	11,147	938,608.04
	<hr/>	<hr/>
SUB-TOTAL	40,856	\$3,963,126.37
	<hr/>	<hr/>
OTHER CUSTOMERS	4,043	\$211,128.08
DROP OFF CENTERS	68	0.00
	<hr/>	<hr/>
TOTAL	44,967	\$4,174,254.45

SOCRRA
IMPROVEMENT FUND
JULY 1, 2010 THROUGH SEPTEMBER 30, 2010

EXPENDITURES

TS Driveway Replacement	\$5,864.73
CS Equipment	28,188.51
TOTAL	<hr/> \$34,053.24