

2007 ANNUAL BUDGET SUMMARY



OCRRA

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A Message from the Executive Director

- OCRRA's Budget was formulated to be accessible to the Board and the general public. Each Committee has discussed its component budget for both operations and capital needs. The Budget or its components were discussed at seven public meetings of Committees or the full Board prior to adoption. In addition to the many public meetings, the preliminary Budget was advertised and made available for public feedback. One of the goals for this Budget was to create even greater transparency. The 2007 Budget document includes the system trash and commodity tonnages which form the basis for OCRRA's revenues and expenses. Those tonnages have been reviewed by the Operations and Administration Committees.
- The 2007 Budget plans for Operating Expenses and Revenues; it also includes the Five-Year Capital Plan for 2007 through 2011. The Capital Plan for 2007 anticipates approximately \$1.5 million in expenditures. It is important to note that this spending level is similar to the interest earned on OCRRA's investments (\$1,200,000), plus the 23% available from budgeted revenues in excess of expenses for the proposed Operating Plan. It was my hope, during the 2003 restructuring, to enable OCRRA to fund all its environmental operations from operating revenues, and ideally fund capital expenditures from investment activity. OCRRA's long-term investment yields are increasing due to favorable markets. It is in the healthy position of being able to fund the Capital Plan with minimal reduction in reserves.
- The 2003 restructuring reduced OCRRA's debt service and operating costs by over seven million dollars per year. In exchange for these concessions by the Bondholders and the Covanta Limited Partners, OCRRA agreed to share 77% of any net operating revenues in excess of

operating expenses. We also agreed to limit the growth of certain “discretionary” expenses, examples including materials, fuel, salaries, travel expenses, tools, office rent, and health insurance to name a few — to the same inflation rate (cost adjustment factor) as the Covanta Service Agreement. The preliminary 2007 Budget falls within these contractual cap limits. OCRRA’s 2007 cap limit expenditures (a distinct specified subset of the Operating Budget) are approximately 98 percent of the capped limits it may spend without risk to reserves.

- OCRRA is in healthy financial condition. It presently enjoys the real benefit of a number of long-term contracts. This translates into forecastable revenues and expenses for many major budget components. These long-term agreements include: Covanta Agreement, Sub-Ordinate Debt Agreement, Hauler Contracts, Power Purchase Agreements, Seneca Meadows Landfill Agreement, MRF Agreement, and Union Agreement. These major contracts provide stability and certainty to many components of the Budget that other Agencies sometimes lack, and allowing OCRRA to pass savings to the consumer. This also allows OCRRA to focus energy and effort on environmental and safety programs.
- As stated previously, OCRRA is now also in the position to make significant expenditures on capital purchases that were deferred in the lean times of the late 1990’s and early 2000’s. In 2006, we are on track to invest about \$1.5 million in capital expenditures. The 2007 Capital Plan will also spend about \$1.5 million. This includes the first round of heavy commitment towards the rehabilitation of the Amboy Compost Site to better serve the community by expanding yard waste opportunities to municipalities. This site has future potential to convert yellow grease into bio-diesel, to accept limited amounts of food waste for composting, and perhaps to evolve into a venue for environmental education. Amboy is in rough condition right now, but we are now in a position to consider an environmental project of this scope due to OCRRA’s stable financial condition. Likewise, the Recycling Operating Budget also contains a new line item to allow for the development of a lease for a recycling operations/event center to improve and expand customer service and convenience.

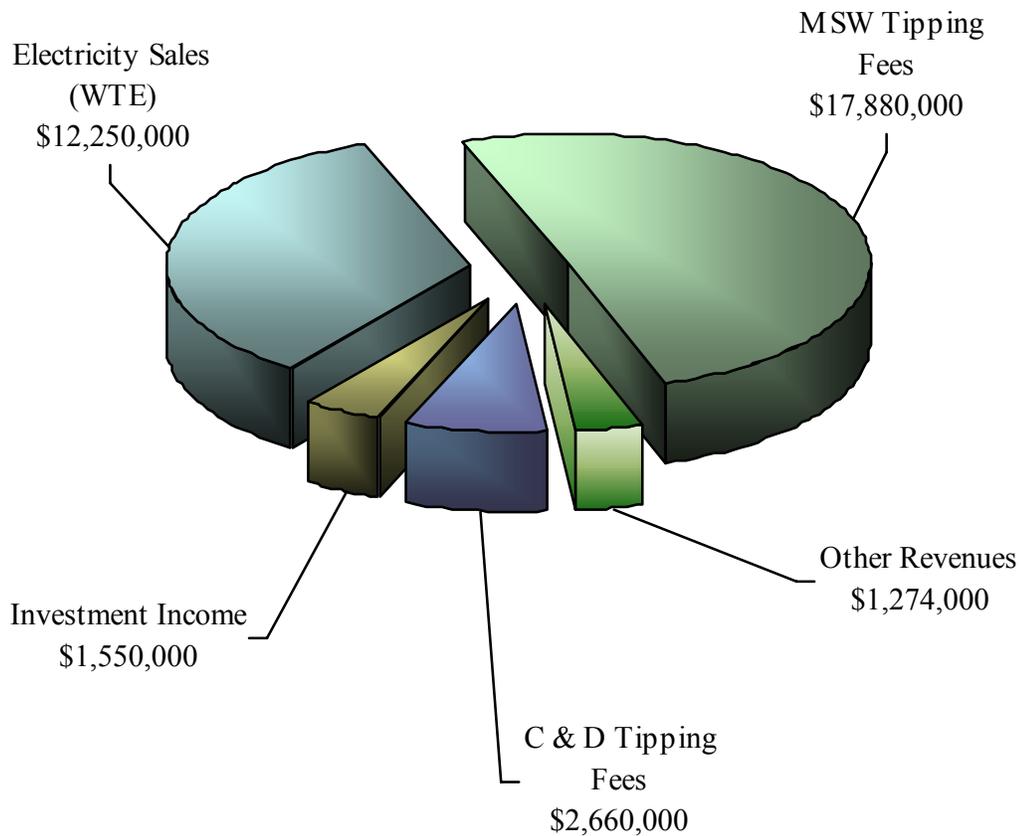
A. J. Rhoads, Executive Director, OCRRA

Where Revenue Dollars Come From

OCRRA's 2006 anticipated revenues are produced from the following sources:

<u>Revenue Projections</u>	<u>Amount</u>	<u>%</u>
MSW Tipping Fees	\$ 17,880,000	50.2%
Electricity Sales (WTE)	\$ 12,250,000	34.4%
C&D Tipping Fees	\$ 2,660,000	7.5%
Other Revenues	\$ 1,274,000	3.6%
Investment Income	\$ 1,550,000	4.3%
<u>Total Revenues</u>	\$ 35,614,000	100%

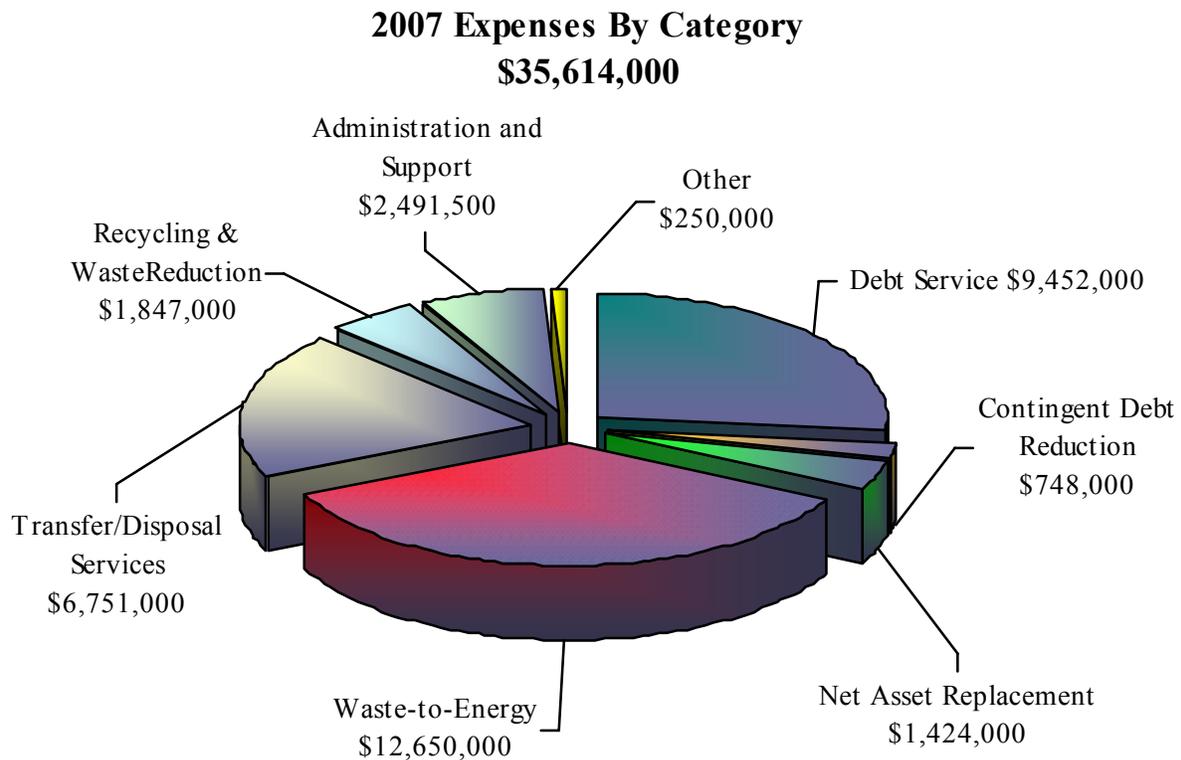
Sources of Agency 2007 Budget Revenues \$35,614,000



How Each Dollar Is Spent

OCRRA's 2007 anticipated expenses are allocated to the following needs:

Expense Projections	Amount	%
Waste-to-Energy	\$ 12,650,000	35.5%
Transfer/Disposal Services	\$ 6,751,000	18.9%
Recycling and Waste Reduction	\$ 1,847,500	5.2%
Administration and Support	\$ 2,491,500	7.0%
Debt Service	\$ 9,452,000	26.5%
Professional Fees	\$ 150,000	0.5%
Operating Contingency	\$ 100,000	0.3%
<u>Operating Expenditures</u>	\$ 33,442,000	93.9%
Other		
<i>Contingent Debt Reduction</i>	\$ 748,000	2.1%
<i>Net Asset Replacement</i>	\$ 1,424,000	4.0%
Grand Total	\$ 35,614,000	100% (rounded)

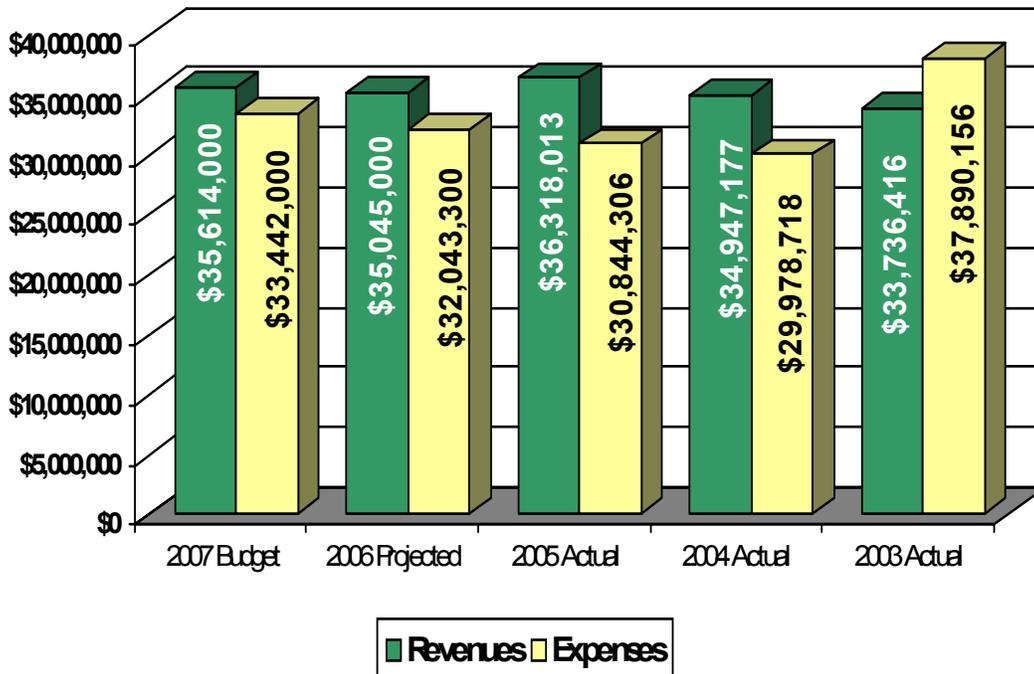


Budget Comparison

Major components of the 2007 Budget compared to the 2006 Budget are as follows:

Expense/Revenue Component	2007 Budget	2006 Budget	Budget Inc / (Dec)
Tipping Fee Revenues	\$ 20,540,000	\$ 19,737,000	\$ 803,000
Electricity Revenues	\$ 12,250,000	\$ 12,160,000	\$ 90,000
Other Revenues	\$ 1,274,000	\$ 910,000	\$ 364,000
Investment Revenues	\$ 1,550,000	\$ 800,000	\$ 750,000
Total Revenues	\$ 35,614,000	\$ 33,607,000	\$ 2,007,000
Covanta Service Fee	\$ 12,650,000	\$ 12,518,000	\$ 132,000
Operating Expenses	\$ 11,340,000	\$ 10,960,000	\$ 380,000
Debt Service Expense	\$ 9,452,000	\$ 9,449,000	\$ 3,000
Operations Total	\$ 33,442,000	\$ 32,927,000	\$ 515,000
Result of Operations	\$ 2,172,000	\$ 680,000	\$ 1,492,000
<i>Contingent Debt</i>	<i>\$ 748,000</i>	<i>\$ 523,600</i>	<i>\$ 224,400</i>
<i>Net Asset Replacement</i>	<i>\$ 1,424,000</i>	<i>\$ 156,400</i>	<i>\$ 1,267,600</i>
Total	\$ 35,614,000	\$ 33,607,000	\$ 2,007,000

Comparison of Agency Revenues and Expenditures



Capital Needs for 2007

The Agency's 2007 Capital Budget for Transfer Operations, Recycling, and Information Technology/Communications lists potential expenditures of \$1,631,000. This includes all of the identified Agency capital programs that are scheduled to be implemented within the system during 2007.

Unit/Program		
Rock Cut Road Transfer Station		
<i>Buildings & Improvements:</i>		
New Dry Pipe Sprinkle System	\$	55,000
New Heating System	\$	75,000
Rock Cut Road Paving	\$	90,000
Ley Creek Transfer Station		
<i>Buildings & Improvements:</i>		
Ley Creek Paving	\$	40,000
Replace Ley Creek Sprinkler System Piping	\$	50,000
Maintenance Facility	\$	100,000
Replace Roof – Ley Creek Transfer Station	\$	100,000
<i>Heavy Equipment:</i>		
Tractor replacement (2)	\$	171,000
New Transfer Trailers (4)	\$	220,000
Front-End Loader Replacement	\$	390,000
Transfer Total 2007	\$	1,291,000
Unit/Program		
Compost Sites		
<i>Amboy Development:</i>		
Asbestos Survey*	\$	5,000
Structural Repair of Main Building in Amboy*	\$	48,000
Preliminary Environmental Survey and remediation*	\$	50,000
Demolition of Amboy Buildings*	\$	120,000
<i>General:</i>		
State Fair Recycling Center	\$	10,000
Two Brush Handling Buckets	\$	32,000
Recycling Total 2007	\$	265,000
Information Technology/Communications		
Communications and Network Infrastructure Upgrades At the Ley Creek Transfer Station	\$	25,000
Communications and Network Infrastructure Upgrades At the Rock Cut Road Transfer Station	\$	25,000
Replacement Telephone and Voice Mail	\$	25,000
Information Technology/Communications Total 2007	\$	75,000
Agency Totals	\$	1,631,000



OCRRA's Vision

By 2010, OCRRA will be recognized as a world leader in local waste disposal and recycling solutions making our community one of the best places to live and work.

OCRRA's Mission

OCRRA provides to the community a solid waste solution that is environmentally sound, highly efficient, safe and innovative, by utilizing the optimal mix of waste reduction, recycling, and disposal.

OCRRA's Core Values

- Integrity and Honesty
- Environmental Stewardship
- Fiscal Responsibility
- Excellence in Services
 - Customer Service
 - Public Participation
 - Community Relations