

Onondaga County Resource Recovery Agency

2019 Annual Report



Board Chair and Executive Director Message

OCRRA is a non-profit public benefit corporation created by the New York State Legislature. It is tasked with delivering a comprehensive solid waste management and resource recovery system to Onondaga County residents.

OCRRA provides a strong recycling and composting program; a foundation for waste disposal at the local Waste-to-Energy Facility; a convenient trash and recycling site; robust public outreach and education; as well as award-winning programs for hard to manage materials including household hazardous waste, fluorescent light bulbs and other mercury containing devices.

To comply with NYSDEC regulations, in 2019 OCRRA commenced a major modification of the Rock Cut Road Transfer Station. A local engineering firm and six local contractors were selected and began construction in May 2019. Construction activities on this \$12,000,000 project will extend into 2020, with an anticipated spring opening for commercial customers; residential drop off will continue to be offered to county residence at our Ley Creek Transfer Station.

OCRRA is funded by solid waste tipping fees, Waste-to-Energy electricity revenues, metal recovery and state grants. In 2019, despite an unprecedented increase in recycling processing and marketing costs, due to a worldwide market recession, OCRRA elected to hold trash tipping fees static, by utilizing reserves and grant funds to achieve this, in order to minimize the financial impacts on our community.

The very existence of curbside recycling programs are being threatened by the volatile recycling market in challenging economic times. Onondaga County is not exempt from this world-wide crisis. To best position our community, OCRRA's Board of Directors

established an ad hoc committee to thoroughly evaluate the options and develop a strategy. The work product of this committee is the OCRRA Recycling 2020 Report; it is available at: www.tinyurl.com/Recycle2020Report.

OCRRA's Board of Directors is comprised of 15 volunteer citizens appointed by the following government offices; the Onondaga County Executive, the Onondaga County Legislature Chair, the Mayor on behalf of the City of Syracuse, and the Towns of Onondaga and Van Buren, our host communities. The Board of Directors takes its financial and environmental duties seriously and works hard to deliver a reliable, environmentally sound and fiscally responsible solid waste system.

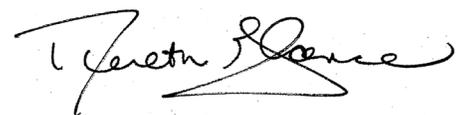
William Bulsiewicz, Legal Counsel to OCRRA and the Board of Directors since 1992, passed away suddenly in January 2020. Bill will be deeply missed for his professional commitment to the agency, his invaluable historic knowledge and perspective on the many complex issues facing OCRRA. Bill was an exceptional person, may he rest in peace.

Now more than ever, it is important to understand what is in our trash and recycling. In 2019, OCRRA hired a waste consultant to conduct a Waste Quantification and Characterization Study. Results of the study will be unveiled in 2020. These details inform program development and public outreach efforts.

The success and nationally recognized achievements of OCRRA are due in a large part to the people of Onondaga County, who have actively participated in our programs, provided valuable input and have lead us to have one of the highest recycling rates in the United States. Keep helping save the world a little each day!



John Copanas
OCRRA Board Chair



Dereth Glance
Executive Director

OCRRA Board of Directors

The OCRRA Board is governed by individuals that are appointed by various elected county and city officials. They are a respected group of educators, engineers, entrepreneurs, government officials and business leaders that continually advocate for the best environmental interests of their neighbors.



Row 1 (left to right): Joe Driscoll, John Copanas, Jerusha Thomas, Ravi Raman. **Row 2:** Blair Page, Alberto Bianchetti, Tony Geiss, Travis Glazier, Lee Klosowski, Don Lawless.

Missing from photo: Bob Andrews, Bob DeMore, Jessi Lyons.

Board Members and Chairs

Bob Andrews

Alberto Bianchetti

John Copanas, *Board Chair & Governance Chair*

Bob DeMore

Joe Driscoll

Tony Geiss, *Board Vice Chair & Finance Chair*

Travis Glazier

Lee Klosowski, P.E., *Recycling 2020 Chair*

Donald Lawless, *Treasurer & TIPP Chair*

Jessi Lyons, *Recycling / Operations Chair*

Blair Page, Ph.D., *Recycling / Operations Vice Chair*

Ravi Raman, P.E., *Administration Chair*

Jerusha Thomas, *Audit Chair*

Recycling Programs

Onondaga County residents have been recycling for close to three decades. This effort conserves natural resources, reduces greenhouse gasses and supports hundreds of jobs locally and beyond; it is our community's greatest team effort!

A global recycling market crisis began in 2018. It resulted in a 90% drop in the value of mixed paper (newspapers, magazines, junk mail, etc.). This meant that blue bin material revenue no longer covered the costs to sort, bale and transport the materials to market. OCRRA paid significantly more in 2019 for these services than in 2018. 2019 expenses clocked in at more than \$1.8 million.

These challenging market conditions are not expected to improve until additional domestic outlets are developed, particularly for paper. The good news is, OCRRA is withstanding the decline in global recycling markets, in part thanks to the outstanding material quality produced by our community, as it is easier to market our recyclables

than what is collected in other communities with high contamination rates.

2019 Recycling Achievements

- **Recycled more than 460,000 tons** of material, for a 55% recycling rate, resulting in waste disposal costs savings of more than \$42 million! This environmental effort prevented the generation of over one million metric tons of carbon dioxide.
- **Received more than \$1.2 million in state grants** for recycling education and outreach, Household Hazardous Waste collection expenses, compost equipment and blue bin purchases.
- **Collected over 60,000 pounds of litter** during OCRRA's Earth Day Litter Cleanup in April. More than 6,000 volunteers from 300 groups participated; more than 2.5 million pounds of litter were collected since 2003.



Compost Operations

2019 Compost Achievements

- **Processed over 13 million pounds of food scraps into compost.** This included thousands of pounds of cafeteria food scraps separated daily by 7,000 local school children. Some of these 4,500 yards of compost were then used to restore the habitat along the western shoreline of Onondaga Lake.
- **Accepted more than 8,650 tons of yard waste** at our Amboy and Jamesville Compost Sites and turned it into thousands of yards of compost and mulch that was sold back to our community.

- **Continued its compost bagging partnership with ARC of Onondaga.** Thousands of bags of OCRRA's certified compost were sold through a network of 30+ local garden retail outlets, helping to return valuable nutrients to local soils.



Transfer Operations

Rock Cut Road Transfer Station

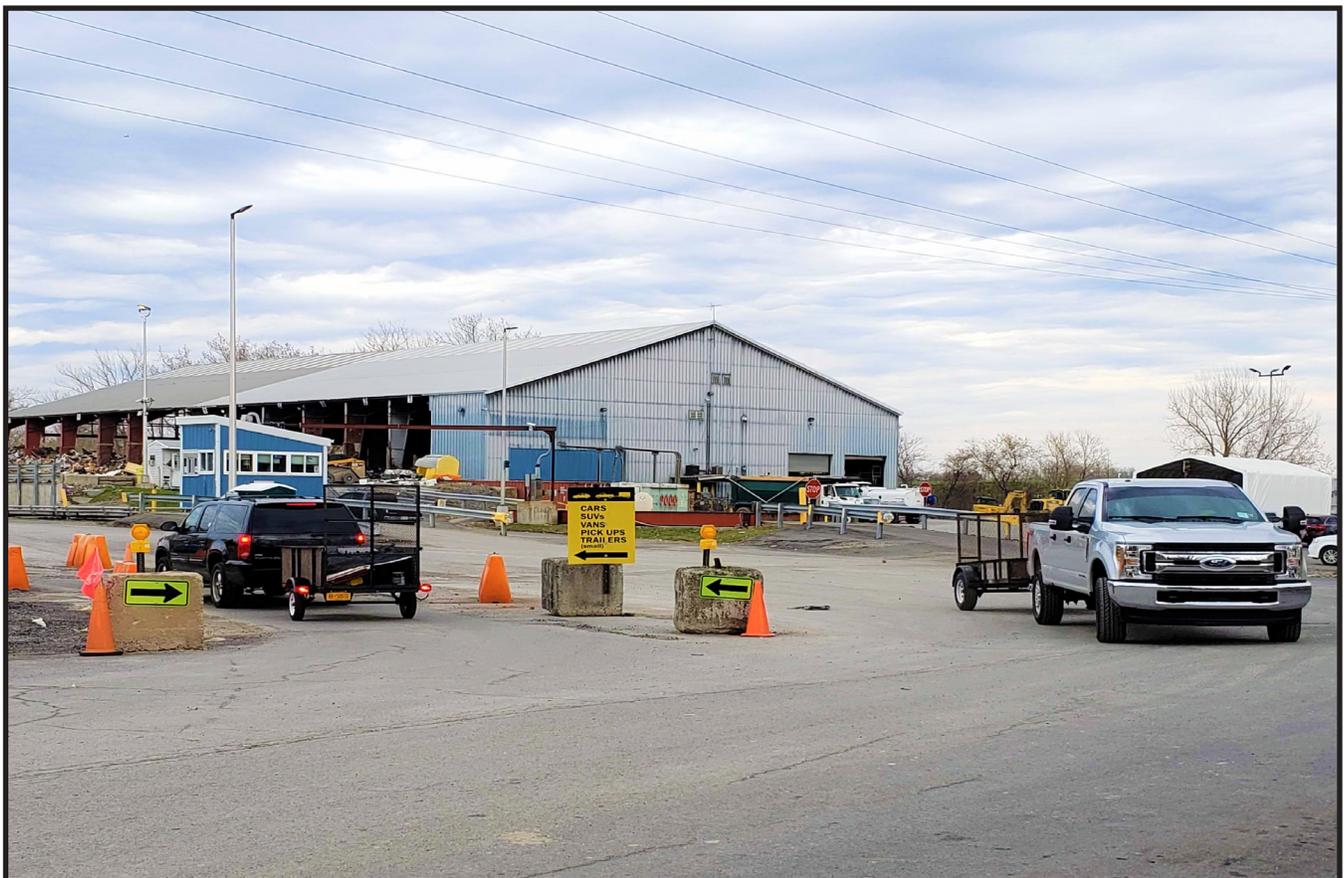
In 2019, Rock Cut Road Transfer Station was closed for renovations to comply with NYSDEC Part 360 regulation changes. As a result, more waste was delivered to the Ley Creek Transfer Station.

Ley Creek Transfer Station

- Received 120,006 tons of **trash**, which is 1,856 tons more than was received in 2018.
- By-passed some of the **construction and demolition material** that was received, 41,991 tons in 2019 vs. 40,127 tons in 2018. Primarily, this material was delivered to the Camillus Landfill.

- Continued to shred **ragger tail**, a by-product of the papermaking process at West Rock in Solvay, NY. Ley Creek received 14,889 tons of ragger tail in 2019 vs. 888 tons in 2018. Shredding separates the metal from the plastic residue, allowing for metal recycling.

- OCRRA delivered nearly 2,500 truckloads or 75,166 tons of ash to area landfills in 2019. This was a significant decrease from the previous year, by more than 5,000 tons. Ash comprised 21% of total waste volume in 2019 vs. 22% in 2018. This reduction was due to waste mix changes, the addition of the West Rock plastic and recent capital improvements, which increased the Waste-to-Energy Facility's efficiency.



Waste-to-Energy

The Onondaga County Waste-to-Energy (WTE) Facility, located off Route I-481 in Jamesville, is a foundational component of OCRRA's environmentally-sound and innovative resource recovery system.

This WTE Facility utilizes a mass-burn combustion system to safely and efficiently generate steam, and ultimately electricity, from the non-recyclable waste generated by our community. Without this Facility, garbage would be hauled many miles to out-of-County landfills, as was the case before the Facility was constructed. Instead, the WTE Facility enables responsible, local management of the community's non-recyclable waste.

OCRRA's core values – integrity and honesty, environmental stewardship, fiscal responsibility, and excellence-in-service – provide the basis for operation of the WTE Facility. Each year, OCRRA posts annual air and ash testing results on www.OCRRA.org. OCRRA and Covanta Onondaga, the operator of the Facility, take great pride in the Facility's strong track record of operational and environmental excellence. In 2019, nearly 400 visitors toured the Facility and learned firsthand about its operations.

ENVIRONMENTAL EXCELLENCE

Paramount to operations is ensuring that the Facility's emissions are protective of human health and the environment. A state-of-the-art air pollution control system is integrated into the Facility so that it may comply with a strict air permit. This system consists of ammonia injection in the boiler, activated carbon and lime injection in the

scrubber, and particulate filtering in the baghouse.

Emissions from the Facility are carefully monitored through continuous emissions monitors (CEMs) and annual stack testing. 2019 air testing results were excellent, with many of the parameters well below the permit limits.

In addition to reducing the volume of material that must be hauled to out-of-County landfills by 90%, the Onondaga County WTE Facility generates enough electricity to power roughly 30,000 homes (about 18% of Onondaga County households) and the Facility itself. Using trash as a fuel source to generate electricity reduces dependence on fossil fuels and increases energy independence.

WTE is also a technology that reduces greenhouse gases. Although the combustion process generates carbon dioxide emissions, there are avoided greenhouse gas emissions due to the prevention of landfill methane emissions, the displacement of electricity that would otherwise have been generated using fossil fuels and the recovery of metals for recycling. There is an overall reduction in greenhouse gases – generally 0.72 tons of carbon dioxide emissions are avoided per ton of trash processed. In 2019, approximately 261,110 tons of carbon dioxide emissions were avoided by processing non-recyclable waste at the WTE Facility.

OPERATIONAL EXCELLENCE

2019 marks the Facility's 25th year of safe, reliable and efficient operations. In 2019,

the Facility processed 362,653 tons of non-hazardous, non-recyclable waste (enough to overfill the Syracuse Carrier Dome) and, in doing so, generated 254,762 megawatt hours of electricity.

The Facility’s metal recovery systems recovered approximately 13,200 tons of ferrous and non-ferrous metal for recycling, which would have otherwise ended up in a landfill. Lastly, about 75,904 tons (21% of the original trash weight) of non-hazardous ash residue were sent to a landfill for use as alternative daily cover (see table for ash testing results). The beneficial reuse of the ash residue means that other materials, such as clean soil, do not need to be used for landfill daily cover.

In 2019, OCRRA completed two capital improvement projects associated with the investment of over \$13.3 million (beyond normal operations and maintenance efforts) to increase the efficiency and reliability of the WTE Facility. Additional capital improvement projects have been planned for 2020 to continue expending OCRRA’s \$15

million capital improvement fund.

In 2015 OCRRA began investing in various parts of the WTE Facility including the addition of an aqueous ammonia system and a refuse crane to increase operational efficiencies, as well as continued replacement and upgrades to the air pollution control devices and emissions monitoring systems. New truck scales, a permanent dry carbon injection system, a reverse osmosis system, and ash discharges have also been installed at the Facility over the past 4 years.

Coupling environmental and operational excellence at the Onondaga County WTE Facility with one of the highest nationwide overall community recycling rates, OCRRA certainly succeeds in achieving its mission of serving the local community with a world-class resource recovery system.

The results from the 2019 stack testing indicate that the Facility is operating acceptably and that the air pollution control devices are functioning properly. As shown by the following graph, many of the tested parameters were far below the permit limit.

ASH RESIDUE CHARACTERIZATION TEST RESULTS			
<u>Semi-Annual Test Results - October 2018</u>			
<i>Constituent</i>	<i>Test Result (mg/L)</i>	<i>Permit Limit (mg/L)</i>	<i>Pass or Fail</i>
Cadmium	0.05	1	Pass
Lead	0.35	5	Pass
<u>Semi-Annual Test Results - April 2019</u>			
<i>Constituent</i>	<i>Test Result (mg/L)</i>	<i>Permit Limit (mg/L)</i>	<i>Pass or Fail</i>
Cadmium	0.06	1	Pass
Lead	0.05	5	Pass
CONCLUSION			
<i>Ash residue does NOT exhibit a hazardous characteristic. As such, it should continue to be managed as a non-hazardous solid waste.</i>			

The results from the 2019 stack testing indicate that the Facility is operating acceptably and that the air pollution control devices are functioning properly. As shown by the following graph, many of the tested parameters were considerably below the permit limit.

2019 ANNUAL STACK TEST RESULTS

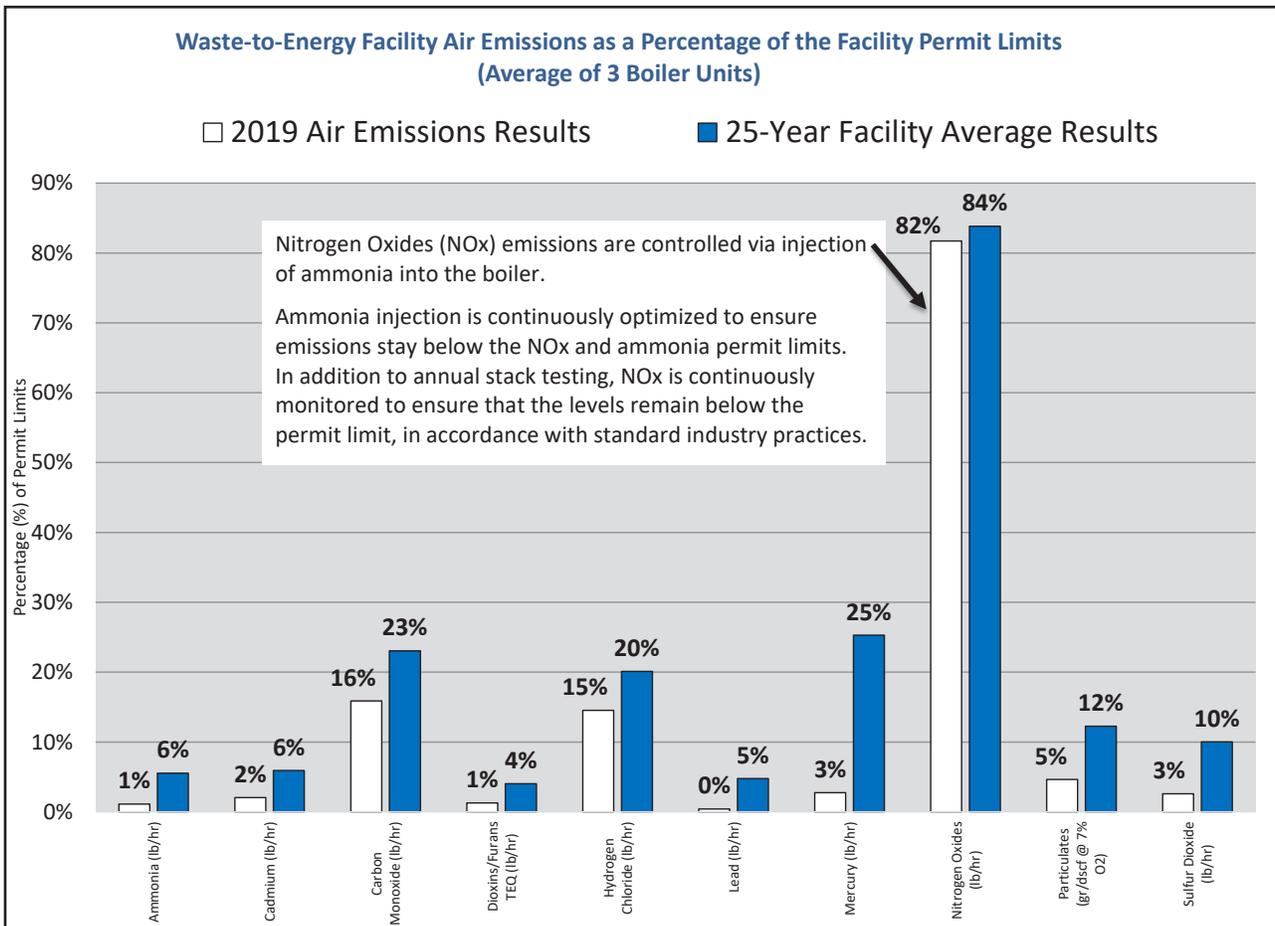
TESTED ANNUALLY	CONSTITUENT	Average Measured Emissions ¹			Permit	Pass/Fail	3-Boiler	% Permit
		Unit 1	Unit 2	Unit 3	Limit ²	P/F	Average	Limit ³
		FEDERAL						
	Cadmium (mg/dscm @ 7% O ₂)	0.000229	0.000194	0.000288	0.035	P	0.000237	1%
	Cadmium (lb/hr)	0.0000366	0.0000302	0.0000504	0.0019	P	0.0000391	2%
	Carbon Monoxide (lb/hr)	1.29	1.21	1.33	8.04	P	1.28	16%
	Dioxins/Furans (ng/dscm @ 7% O ₂)	0.194	1.16	1.45	30	P	0.93	3%
	Hydrogen Chloride (ppmdv @ 7% O ₂)	3.16	2.58	3.38	25	P	3.04	12%
	Hydrogen Chloride (lb/hr)	0.773	0.611	0.902	5.24	P	0.762	15%
	Hydrogen Chloride Removal Efficiency (%)	99.5	99.6	99.5	> 95	P	99.5	--
	Lead (mg/dscm @ 7% O ₂)	0.000916	0.000513	0.00139	0.400	P	0.000940	0%
	Lead (lb/hr)	0.000147	0.0000797	0.000243	0.0381	P	0.0001566	0%
	Mercury (lb/hr)	0.000141	< 0.0000592	0.000129	0.004	P	0.0001097	3%
	Nitrogen Oxides (lb/hr)	49.3	45.0	47.9	58	P	47.4	82%
	Particulate (gr/dscf @ 7% O ₂)	0.000482	0.000411	0.000501	0.010	P	0.000465	5%
	PM ₁₀ (gr/dscf @ 7% O ₂)	0.000317	< 0.000288	0.000327	0.010	P	0.000311	3%
	PM ₁₀ Filterable (lb/hr)	0.120	< 0.109	0.124	3.16	P	0.118	4%
	Sulfur Dioxide (lb/hr)	0.126	1.10	0.0278	16.2	P	0.4179	3%
STATE								
	Ammonia (ppmdv @ 7% O ₂)	< 0.468	< 0.438	< 0.512	50	P	0.473	1%
	Ammonia (lb/hr)	< 0.0529	< 0.0485	< 0.0634	4.88	P	0.0549	1%
	Dioxins/Furans-2,3,7,8 TCDD TEQ (ng/dscm @ 7% O ₂)	0.000877	0.00833	0.0196	0.4	P	0.009602	2%
	Dioxins/Furans-2,3,7,8 TCDD TEQ (lb/hr)	0.000000000138	0.000000000133	0.000000000346	0.000000129	P	0.00000000164	1%
	Mercury (µg/dscm @ 7% O ₂)	0.883	< 0.378	0.738	28	P	0.666	2%
	Mercury Removal Efficiency (%)	98.8	99.2	98.9	> 85	P	99.0	--

NOTES:

Based on three test runs; used for compliance with permit limit.
 NYSDEC Title V Permit #7-3142-00028
 Based on 3-Boiler Average; informational only; not used for compliance.

UNITS:

gr/dscf = grains per dry standard cubic foot ng = nanograms
 ppmdv = parts per million dry volume µg = micrograms
 lb/hr = pounds per hour mg = milligrams
 dscm = dry standard cubic meter
 @ 7% O₂ = concentration corrected to 7% oxygen



2019 Financial Statements

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

FINANCIAL STATEMENTS

As of December 31, 2019 and 2018
Together with Independent Auditor's Report



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CERTIFIED PUBLIC ACCOUNTANTS PLLC

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Onondaga County Resource Recovery Agency
North Syracuse, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Onondaga County Resource Recovery Agency (OCRRA) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise OCRRA's basic financial statements.

Management's Responsibility for the Financial Statements

OCRRA's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Onondaga County Resource Recovery Agency as of December 31, 2019 and 2018, and the respective changes in its financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other postemployment benefits plan – schedule of funding progress, schedule of proportionate share of net pension liability (asset), and schedule of contributions – pension plans be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise OCRRA's basic financial statements. The other information in the annual report, which is the responsibility of management is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information in the annual report has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2020 on our consideration of OCRRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCRRA's internal control over financial reporting and compliance.



Syracuse, New York
March 11, 2020

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

ANALYSIS OF FINANCIAL POSITION

One of the most important questions asked about the OCRRA's finances is "*Is OCRRA, as a whole, better off or worse off as a result of the year's activities?*" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about OCRRA's activities in a way that will help answer this question. These two statements report the net position of OCRRA and changes in them. You can think of OCRRA's net position - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in OCRRA's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population growth, consumer behavior and new or changed legislation or regulation.

Another important question is whether "*What direction OCRRA, as a whole, trended in 2019?*" OCRRA's total net position increased by \$802,669 revenues increased over the previous year by about one and three-quarters percent while expenses increased by about three and one-half percent. OCRRA's total net position was \$21,332,592 and \$20,529,923 on December 31, 2019 and 2018, respectively.

Table 1

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current assets	\$ 21,917,986	\$ 22,497,582	\$ 18,693,237
Assets limited as to use	9,101,225	1,790,637	5,314,673
Property, plant and equipment - net	18,289,247	11,831,587	11,898,249
Facility lease - net of current portion	<u>47,397,234</u>	<u>49,695,499</u>	<u>51,910,431</u>
Total assets	96,705,692	85,815,305	87,816,590
Deferred outflows of resources	918,926	1,571,370	1,164,447
Current liabilities	9,716,877	7,653,144	6,224,933
Long-term liabilities	<u>65,189,618</u>	<u>56,716,263</u>	<u>62,452,996</u>
Total liabilities	74,906,495	64,369,407	68,677,929
Deferred inflows of resources	1,385,531	2,487,345	1,406,651
Net position - Net investment in capital			
Assets	9,569,601	7,771,036	8,998,838
Restricted	5,206,224	5,782,731	5,040,765
Unrestricted	<u>6,556,767</u>	<u>6,976,156</u>	<u>4,856,854</u>
Total net position	<u>\$ 21,332,592</u>	<u>\$ 20,529,923</u>	<u>\$ 18,896,457</u>

Changes in OCRRA's net position can be determined by reviewing the following condensed Statement of Revenues, Expenses and Changes in Net Position for the years 2019, 2018 and 2017.

ANALYSIS OF FINANCIAL POSITION (Continued)

Table 2

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 37,423,627	\$ 36,775,211	\$ 33,795,806
Other revenues	<u>2,237,888</u>	<u>2,243,322</u>	<u>2,224,437</u>
Total revenues	39,661,515	39,018,533	36,020,243
Operating expenses	36,474,204	35,262,000	32,755,151
Other expenses	<u>2,384,642</u>	<u>2,123,066</u>	<u>2,170,867</u>
Total expenses	38,858,846	37,385,066	34,926,018
Change in net position	802,669	1,633,466	1,094,225
Net position - beginning of year	<u>20,529,923</u>	<u>18,896,457</u>	<u>17,802,232</u>
Net position end of year	<u>\$ 21,332,592</u>	<u>\$ 20,529,923</u>	<u>\$ 18,896,457</u>

The increase in OCRRA's net position in 2019 was due primarily to the receipt of grant funding, which was on a three-year cycle. Going forward, OCRRA is expecting more frequent but smaller receipts.

OCRRA'S FUNDS

OCRRA does not utilize Funds or Fund Accounting. OCRRA maintains funds on deposit with a Trustee as required by contractual obligations entered into as part of OCRRA restructuring as detailed in the financial statements. As of December 31, 2019, OCRRA funds held by the trustee of \$5,206,224 are recorded as Restricted under the OCRRA's Net Position. These restricted assets are due to the Indenture of Trust agreement between OCRRA and U.S. Bank National Association (the Trustee) that requires OCRRA operating revenues to be maintained on deposit with the Trustee until any necessary payments are made on the 2015 and 2019 Bonds.

Budgetary Highlights

OCRRA's 2019 electricity revenues fell short of budgeted amounts primarily due to a lower market rate than anticipated. OCRRA's 2019 grant revenues greatly exceeded budgeted amounts as money from a NYS grant was received that was not budgeted for 2019. OCRRA's 2020 adopted budget was based primarily on the 2018 results and anticipated a small incremental improvement in commodity markets and incoming tonnages. There was no increase in the municipal solid waste tip fee from 2019 to 2020. Instead, OCRRA's budget anticipates using cash reserves to fund its curbside recycling collection in 2020.

Capital Assets

At the end of 2019, OCRRA had approximately \$18.3 million in capital assets consisting primarily of two transfer stations, a composting facility, and various pieces of operating equipment. During 2019 Property, Plant & Equipment, net increased by approximately \$6.5M, which reflects acquisitions of \$8.2M and depreciation charges of \$1.7M. The primary acquisition relates to construction-in-progress of OCRRA's refurbishment of the Rock Cut Road transfer facility.

Bonds

During 2019, OCRRA reduced outstanding 2015 bonds by \$1,935,000. OCRRA completed a subordinate bond sale with an initial principal amount of \$10,835,000. The proceeds of this bond sale are being used to refurbish the Rock Cut Road transfer facility.

OCRRA'S FUNDS (Continued)

Capital Leases

As of December 31, 2019, OCRRA had approximately \$2.8 million in capital leases outstanding. The Capital Lease program allows OCRRA to spread the cash impact of capital purchases over multiple years.

Direct Finance Lease – through May 2035

On November 12, 2014, OCRRA reached an agreement (extension) with Covanta Onondaga, L.P. to continue the facility lease of the Onondaga County Resource Recovery Facility for 20 years, commencing on May 8, 2015 and continuing until May 8, 2035, with a mutual option of an additional 5 year extension.

OCRRA obtained extension financing for the refunding of the 2003 Series B bonds, and for the establishment of the Capital Refurbishment Fund. See Note 8 for additional information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2020 Budget develops the revenue and expense requirements to continue OCRRA's efforts to provide sound environmental solid waste disposal solutions to our community while recognizing the current economic realities.

OCRRA operates in a highly complex contractual business setting with rigid regulatory oversight. Its waste disposal infrastructure was very expensive to site and construct, leading to high fixed costs of operation. Budgets are designed around historic waste levels, and recent commodity prices. For the last several years normally predictable revenue from recyclables, energy and recovered materials have been more variable. These economic conditions have prompted changes in fees in order to maintain the services OCRRA provides to the community. Additionally, OCRRA's strategic use of reserves during this time of commodity uncertainty has allowed OCRRA to maintain the high quality of its services while minimizing the impact of these fee changes on the community. Should conditions improve, or get worse, OCRRA will consider case by case program reviews to provide high levels of environmental performance with watchful stewardship of public service fees and reserves.

During 2019, OCRRA was pleased it was able to maintain its reserve balances, as reflected in its positive cash flow and healthy level of unrestricted net position.

OCRRA's 2020 Budget was passed at a break-even level. The 2020 Budget is fiscally conservative, reflects modest energy rates, and increases in construction and demolition tip fees only to the extent necessary to cover normal expense increases. The 2020 Budget utilizes cash reserves to ensure continuance of the community's curbside collection program. OCRRA's strict expenditure controls at a management and Board level are expected to continue to improve OCRRA's financial condition over time.

CONTACT REGARDING THE AGENCY'S FINANCES

This financial report is designed to provide County residents, customers and creditors with a general overview of OCRRA's finances. If you have questions about this report or need additional financial information, contact OCRRA's Public Information Officer at 100 Elwood Davis Road, North Syracuse, NY 13212-4312.

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

**STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 9,975,978	9,025,985
Accounts receivable (net of an allowance for bad debts of \$50,000 in 2019 and \$892,888 in 2018)	2,903,592	2,667,665
Electric revenue receivable	306,721	526,221
Metal revenue receivables	97,897	136,562
Prepaid expenses	1,596,916	1,455,180
Facility lease, current portion	2,015,000	1,935,000
Assets limited to use, current portion	<u>5,206,224</u>	<u>6,750,968</u>
Total current assets	<u>22,102,328</u>	<u>22,497,581</u>
NON-CURRENT ASSETS:		
Assets limited as to use:		
Funds held by trustee under indenture	9,101,225	1,790,637
Property, plant and equipment, net	18,289,247	11,831,587
Facility lease, net of current portion	<u>47,397,234</u>	<u>49,695,499</u>
Total noncurrent assets	<u>74,787,706</u>	<u>63,317,723</u>
Total assets	<u>96,890,034</u>	<u>85,815,304</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension related	<u>918,926</u>	<u>1,571,370</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	5,518,321	3,684,864
Bonds payable - 2015 Series A, current portion (NOTE 8)	2,015,000	1,935,000
Bonds payable - 2019, current portion (NOTE 9)	505,000	-
Capital lease liability, current portion	940,836	1,106,076
Accrued interest	467,116	391,416
Accrued expenses and other current liabilities	<u>454,946</u>	<u>535,787</u>
Total current liabilities	<u>9,901,219</u>	<u>7,653,143</u>
NON-CURRENT LIABILITIES:		
Bonds payable - 2015 Series A (NOTE 8)	45,215,000	47,230,000
Bonds payable - 2019 (NOTE 9)	10,330,000	-
2015 Bond Premium	3,525,567	3,755,499
2019 Bond Premium	1,439,239	-
2015 Capital Fund	1,674,181	1,790,637
Capital lease liability	1,642,113	2,954,475
Net Pension liability	916,999	420,406
Other postemployment benefits (NOTE 10)	<u>446,519</u>	<u>565,246</u>
Total non-current liabilities	<u>65,189,618</u>	<u>56,716,263</u>
Total liabilities	<u>75,090,837</u>	<u>64,369,406</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension related	305,715	1,337,102
Unearned revenue - bond related	<u>1,079,816</u>	<u>1,150,243</u>
Total deferred inflows of resources	<u>1,385,531</u>	<u>2,487,345</u>
NET POSITION		
Net investment in capital assets	9,569,601	7,771,036
Restricted	5,206,224	5,782,731
Unrestricted	<u>6,556,767</u>	<u>6,976,156</u>
Total net position	<u>\$ 21,332,592</u>	<u>\$ 20,529,923</u>

The accompanying notes are an integral part of these statements.

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES:		
Tipping fees	\$ 30,700,876	\$ 28,676,456
Electric revenue	3,389,011	5,137,527
Recovered material revenue	867,517	1,400,190
Grant revenue	1,263,915	269,517
Compost revenue	714,823	734,295
Other	<u>487,485</u>	<u>557,226</u>
Total operating revenues	<u>37,423,627</u>	<u>36,775,211</u>
OPERATING EXPENSES:		
Personal services	5,968,407	5,771,507
Contractual services -		
Landfill contracts	2,197,318	2,147,146
Other contractual services	64,409	64,163
Materials and supplies	690,763	713,742
Professional fees	399,965	346,397
Recycling	2,178,611	855,253
Compost	279,148	244,573
Hazardous waste disposal	113,199	113,406
Repairs and maintenance	545,262	608,443
Utilities	122,890	152,389
Insurance	576,291	624,885
Operating leases	153,252	122,865
Depreciation	1,727,425	1,486,459
Taxes and other payments to Host Communities	200,159	198,776
Other	578,566	1,248,533
Waste-to-Energy operations cost	<u>20,678,539</u>	<u>20,563,463</u>
Total operating expenses	<u>36,474,204</u>	<u>35,262,000</u>
OPERATING INCOME	<u>949,423</u>	<u>1,513,211</u>
NON-OPERATING REVENUE (EXPENSE):		
Interest income - cash and repurchase agreements	88,871	23,732
Interest income - non-system	107,621	15,070
Amortization on 2015 deferred inflow	70,428	70,428
Interest income - lease receivable	1,970,968	2,047,368
2015 Bond Interest expense	(1,970,968)	(2,047,368)
2019 Bond Interest expense	(313,236)	-
Interest expense capital leases	(100,438)	(75,698)
Gain on sale of machinery and equipment	<u>-</u>	<u>86,723</u>
Non-operating revenue, net	<u>(146,754)</u>	<u>120,255</u>
CHANGE IN NET POSITION	802,669	1,633,466
NET POSITION - beginning of year	<u>20,529,923</u>	<u>18,896,457</u>
NET POSITION - end of year	<u>\$ 21,332,592</u>	<u>\$ 20,529,923</u>

The accompanying notes are an integral part of these statements.

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Receipts from tipping fees	\$ 30,423,350	\$ 28,831,967
Receipts from electric revenue	3,608,511	5,156,245
Other operating receipts	3,372,404	2,928,907
Payments to vendors and suppliers	(6,234,961)	(6,331,002)
Payments to employees	(4,706,287)	(4,538,309)
Payments for Waste-to-Energy (WTE) operations	(16,489,306)	(16,376,163)
Payments for insurance and employee benefits	<u>(1,914,815)</u>	<u>(1,688,232)</u>
Net cash flow from operating activities	<u>8,058,896</u>	<u>7,983,413</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments on bonds outstanding	(1,935,000)	(1,860,000)
Proceeds from the issuance of bonds	12,018,398	-
Payments on capital lease obligations	(1,477,601)	(861,146)
Proceeds from the sale of machinery and equipment	-	92,075
Purchase of property, plant and equipment	(7,632,198)	(371,102)
Proceeds from capital leases in escrow	-	968,237
Payments for interest on bonds outstanding	<u>(2,605,816)</u>	<u>(2,361,376)</u>
Net cash flow from capital and related financing activities	<u>(1,632,217)</u>	<u>(4,393,312)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Net change in funds held by trustee	(5,673,179)	(1,710,205)
Proceeds from interest on invested funds	<u>196,493</u>	<u>38,803</u>
Net cash flow from investing activities	<u>(5,476,686)</u>	<u>(1,671,402)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	949,993	1,918,699
CASH AND CASH EQUIVALENTS - beginning of year	<u>9,025,985</u>	<u>7,107,286</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 9,975,978</u>	<u>\$ 9,025,985</u>

The accompanying notes are an integral part of these statements.

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income	\$ 949,423	\$ 1,513,211
Adjustments to reconcile operating loss to net cash flow from operating activities:		
Depreciation	1,727,425	1,486,459
WTE operations used to reduce lease costs	4,189,233	4,187,300
Other postemployment benefits expense	(118,728)	(70,939)
Bond insurance amortization	36,468	31,416
Pension expense	123,164	4,165
Changes in:		
Accounts receivable	(93,184)	155,511
Electric revenue receivable and other receivables	258,165	(13,603)
Prepaid expenses	(28,455)	(267,700)
Accounts payable, accrued expenses and other current liabilities	<u>1,015,385</u>	<u>957,593</u>
Net cash flow from operating activities	<u>\$ 8,058,896</u>	<u>\$ 7,983,413</u>

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:

In 2018, OCRRA purchased approximately \$2,022,000 of fixed assets through capital leases. Of that amount, \$968,237 of capital lease proceeds remained in escrow at December 31, 2018.

The accompanying notes are an integral part of these statements.

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

1. ORGANIZATION

Onondaga County Resource Recovery Agency (OCRRA) was statutorily created in 1981 as a public benefit corporation under New York State law. OCRRA began active operations in 1990. OCRRA is exempt from federal income taxes under Internal Revenue Service Code Section 115.

Under an agreement between OCRRA and the County of Onondaga (County), OCRRA is responsible for implementing the County Solid Waste Management Program, as well as the construction, operation and otherwise ensuring the availability of solid waste management and recycling facilities for participating municipalities in the County of Onondaga, State of New York. Under current contracts, OCRRA's operations service the thirty-three participating municipalities in Onondaga County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting

OCRRA operates as a proprietary fund. Proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported.

OCRRA utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or an economic asset is used.

The accounting policies of OCRRA conform to generally accepted accounting principles as applicable to governmental units. The accepted standard setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Other Postemployment Benefits

OCRRA provides health insurance benefits to certain retired employees and their spouses and beneficiaries. OCRRA accrues the costs for these benefits based on an annual valuation of future expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking, savings, money market accounts, and treasury bills with maturity dates of three months or less.

Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts. They are periodically evaluated for collectability based on past credit history with customers and their current financial condition.

Property, Plant and Equipment

Property, plant and equipment over \$5,000 are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 4 to 25 years. Depreciation expense amounted to \$1,727,425 and \$1,486,459 for the years ended December 31, 2019 and 2018, respectively.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as expense until then.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents a receipt of net position that applies to a future period and so will not be recognized as revenue until then.

Assets Limited as to Use

Assets limited as to use represent funds restricted as to use under OCRRA's Revenue Bond and Capital Lease Agreements.

Net Position

GASB requires the classification of net position into three components. These classifications are displayed in three components below:

- a. Net investment in capital assets - capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - net position with constraints placed on their use either by (1) external groups such as creditors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. See page 14 for detail the \$5,206,224 restricted net position at December 31, 2019.
- c. Unrestricted net position - net position that does not meet the definition of restricted or net investment in capital assets.

When both restricted and unrestricted resources are available for use, it is OCRRA's policy to use restricted resources first, then unrestricted resources as they are needed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Classification

Tipping fees, commodity revenues, fees related to our principal operations and grants are considered operating revenues, as they derive from the OCRRA's principal purpose. Interest income and other miscellaneous sources are considered nonoperating.

Landfill and Related Costs

OCRRA has secured the required permit for the construction of an in-county landfill to be located in the Town of Van Buren (the "Landfill"). Currently, OCRRA transports the ash from the Waste-to-Energy Facility and other non-recyclable waste that cannot be processed at the facility to the High Acres Landfill, near Fairport, New York, the Seneca Meadows Landfill near Waterloo, New York and the Madison County Landfill near Nelson, New York generally under long-term contracts. Construction of the in-county landfill will occur when environmental and economic factors dictate that it is in the best interest of Onondaga County businesses and residents. The cost of the designated site is included in property, plant and equipment (see Note 6). Engineering and consulting fees related to siting, environmental studies and permitting of the Landfill are capitalized. According to Governmental Accounting Standards Board Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, should OCRRA decide to transport waste to the Landfill, OCRRA is required to accrue a portion of the estimated total of closure and postclosure care in each period that waste is accepted at the site. Recognition of such a liability shall begin on the date the Landfill begins accepting waste. As of December 31, 2019 there has been no waste delivered to the Landfill.

Environmental and Regulatory Risk

OCRRA operates in an environmentally sensitive industry and is subject to extensive federal and state laws and regulations adopted for the protection of the environment. The laws and regulations are primarily applicable to discharge of emissions into the air and management of solid waste but can also include those related to water use, discharges to water and hazardous waste management. Certain aspects of these laws have extensive and complicated requirements relating to obtaining operating permits, monitoring, record keeping and reporting. Management believes that its facilities are in material compliance with permits and other applicable environmental laws.

3. CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of a bank failure, OCRRA's deposits may not be returned to it.

Statutes authorize OCRRA to maintain deposits with financial institutions and to invest in certificates of deposit, obligations of New York State, the United States Government and its agencies, and repurchase agreements collateralized by U.S. obligations.

Unrestricted and restricted cash equivalents are covered or collateralized by either federal depository insurance, securities held by the pledging bank's trust department in OCRRA's name, or are U.S. Government and/or federal agency securities held by the Trustee.

At December 31, 2019, the carrying value of OCRRA's cash deposits were approximately \$19,031,000, and the bank balances were approximately \$19,266,000. OCRRA's deposit policies require OCRRA's cash to either be covered by depository insurance or collateralized by governmental securities held by the depository institution. At December 31, 2019, OCRRA had collateralized cash balances of approximately \$2,911,000, deposits at the Trustee of \$12,383,000 and the remainder was covered by depository insurance. At December 31, 2019, OCRRA also held Treasury Bills with a principal value of \$3,530,000.

4. OPERATING CONSIDERATIONS

The Onondaga County Solid Waste Management System (System) has implemented a multi-layer “flow control” arrangement to ensure that all legal means of requiring delivery of waste into the System are utilized. First, OCRRA has “delivery agreements” with all 33 participating municipalities in Onondaga County. Those “delivery agreements” commit each municipality to “deliver or cause the delivery” of municipal solid waste (MSW) from their community to the System. Most of the residential MSW is delivered to the System pursuant to municipal pick-up, municipally contracted pick-up, and solid waste districts, implemented in accordance with the “delivery agreements.” In addition, in 2000 - 2001, all 33 municipalities enacted approved, in-state waste site designation laws committing delivery of all of their MSW to the System if the MSW is to be disposed of within the State. Also, in 2003, the Onondaga County Legislature enacted a local “flow control” law, based closely on the language and criteria found in the Oneida-Herkimer Law that directs all municipal solid waste in the 33 participating municipalities to OCRRA’s public Waste-To-Energy Facility. This type of arrangement was reviewed and deemed Constitutional by the U.S. Supreme Court in its April 2007 Oneida-Herkimer case. The 33 member municipalities have entered into delivery agreements with automatic renewals through 2035. Finally, OCRRA, as additional security, enters into hauler contracts directly with the area’s private and municipal waste haulers, wherein they have contractually committed to deliver all MSW picked up in the 33 participating municipalities to the System. The contracts provide stiff stipulated contractual damage penalties for violation of that contract provision.

5. ASSETS LIMITED AS TO USE

Assets limited as to use are held by a trustee in accordance with the terms of the Revenue Bonds Master Bond Resolution (see Note 8) and certain trustee funds represent restricted net position reported on the Statement of Financial Position. The restricted net position includes the following funds at December 31:

	<u>2019</u>	<u>2018</u>
Funds accumulated from System revenues to pay for 2015 debt service obligations	\$ 1,718,410	\$ 1,678,720
Funds accumulated from System revenues to pay for 2019 debt service obligations	427,260	- 0-
Accumulation of earnings from System revenues to satisfy general OCRRA obligations	<u>3,060,554</u>	<u>4,104,011</u>
Total	<u>\$ 5,206,224</u>	<u>\$ 5,782,731</u>

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Land	\$ 396,190	\$ -	\$ -	\$ 396,190
Landfill site	3,854,290	-	-	3,854,290
Landfill site costs	195,760	-	-	195,760
Landfill buildings and improvements	590,484	-	-	590,484
Buildings and improvements	3,075,483	262,825	-	3,338,308
Machinery and vehicles	11,967,519	2,002,061	-	13,969,581
Furniture and fixtures	152,945	-	-	152,945
Computer equipment	120,709	18,531	-	139,239
Leasehold improvements	3,375,062	-	-	3,375,062
Land improvements	48,310	-	-	48,310
Construction in progress	<u>235,029</u>	<u>6,037,118</u>	<u>135,450</u>	<u>6,136,697</u>
Total property, plant and equipment	24,011,781	8,320,535	135,450	32,196,866
Less: Accumulated depreciation				
Landfill buildings and improvements	(557,038)	(2,964)	-	(560,002)
Buildings and improvements	(2,280,091)	(116,099)	-	(2,396,190)
Machinery and vehicles	(8,073,694)	(1,409,302)	-	(9,482,996)
Furniture and fixtures	(113,673)	(4,134)	-	(117,807)
Computer equipment	(114,387)	(5,538)	-	(119,925)
Leasehold improvements	(1,021,183)	(186,973)	-	(1,208,156)
Land improvements	<u>(20,128)</u>	<u>(2,415)</u>	-	<u>(22,543)</u>
Total accumulated depreciation	<u>(12,180,194)</u>	<u>(1,727,425)</u>	-	<u>(13,907,619)</u>
Property, plant and equipment, net	<u>\$ 11,831,587</u>	<u>\$ 6,593,110</u>	<u>\$ (135,450)</u>	<u>\$ 18,289,247</u>

Property, plant and equipment activity for the year ended December 31, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Land	\$ 396,190	\$ -	\$ -	\$ 396,190
Landfill site	3,854,290	-	-	3,854,290
Landfill site costs	195,760	-	-	195,760
Landfill buildings and improvements	672,597	-	82,113	590,484
Buildings and improvements	3,037,239	47,500	9,256	3,075,483
Machinery and vehicles	11,877,168	1,133,621	1,043,270	11,967,519
Furniture and fixtures	111,606	41,339	-	152,945
Computer equipment	120,709	-	-	120,709
Leasehold improvements	3,375,062	-	-	3,375,062
Land improvements	48,310	-	-	48,310
Construction in progress	<u>27,339</u>	<u>249,029</u>	<u>41,339</u>	<u>235,029</u>
Total property, plant and equipment	23,716,270	1,471,489	1,175,978	24,011,781
Less: Accumulated depreciation				
Landfill buildings and improvements	(629,673)	(3,091)	(75,726)	(557,038)
Buildings and improvements	(2,168,919)	(120,428)	(9,256)	(2,280,091)
Machinery and vehicles	(7,948,656)	(1,164,342)	(1,039,304)	(8,073,694)
Furniture and fixtures	(109,327)	(4,346)	-	(113,673)
Computer equipment	(109,523)	(4,864)	-	(114,387)
Leasehold improvements	(834,210)	(186,973)	-	(1,021,183)
Land improvements	<u>(17,713)</u>	<u>(2,415)</u>	-	<u>(20,128)</u>
Total accumulated depreciation	<u>(11,818,021)</u>	<u>(1,486,459)</u>	<u>(1,124,286)</u>	<u>(12,180,194)</u>
Property, plant and equipment, net	<u>\$ 11,898,249</u>	<u>\$ (14,970)</u>	<u>\$ 51,692</u>	<u>\$ 11,831,587</u>

7. FACILITY LEASE AND SERVICE AGREEMENT

In 1992, OCRRA issued Project Revenue Bonds for the purpose of constructing a Waste-to-Energy Facility (the “Facility”) and funding certain reserves and other related costs. Pursuant to various agreements, Covanta Onondaga, L.P. (the “Partnership”) also funded certain project costs and constructed the Facility. OCRRA leased the Facility and equipment to the Partnership under a long-term lease expiring May 8, 2015 with the Partnership having the option to purchase the Facility for \$1. This lease and service agreement was extended as described in the “Renewal of Facility Lease and Service Agreement” section below.

Pursuant to the facility lease agreement the real property comprising a portion of the Facility is leased to the Partnership.

Pursuant to the service agreement the Partnership operates and maintains the Facility for the processing of solid waste delivered by OCRRA to the Facility.

All revenues of the Facility, which include rates, fees, charges and other realized income received by OCRRA from the ownership, operation, use or services of the Facility, in excess of expenses, are to be paid directly to the Trustee for the benefit of the Partnership and Trustee. After satisfaction of those obligations, remaining revenues revert to OCRRA for its use.

OCRRA’s obligation is unconditional and requires payment by OCRRA if there is no waste delivered; OCRRA remains responsible for debt service.

The obligations of the Partnership under the service agreement and facility lease are guaranteed to OCRRA and the Trustee by Covanta Energy Corporation.

Renewal of Facility Lease and Service Agreement

In November 2014, OCRRA entered into a twenty (20) year extension of the Second Amended and Restated Service Agreement with the Partnership until May 8, 2035. The extension includes a mutual option to extend the term of the Service Agreement for an additional five (5) years until May 8, 2040. Under this Service Agreement extension, OCRRA was required to refinance the 2003 Series B bonds for a term that is coterminous with the base term of the Service Agreement extension (See Note 8). This is in addition to the service fee and other facility related OCRRA cost obligations, i.e. operations and maintenance charge, pass through costs, ash disposal costs and debt service on any Capital Refurbishment bonds.

OCRRA committed to a minimum annual waste delivery obligation of 320,000 in 2015 and 345,000 tons for full years thereafter, with OCRRA paying shortfall damages equal to the Partnership’s lost electric and metal revenue for each shortfall ton. The maximum annual waste capacity is the Facility’s permitted capacity less some limited tonnage available to the Partnership for Supplemental Waste. Net electric revenue is shared 90% OCRRA/10% Partnership and metal revenue is shared 50%/50% with a ceiling amount. OCRRA remains responsible for ash transport and disposal with some limited exceptions. The previous Market Rate Agreement was terminated.

OCRRA will have legal ownership of the Facility during the term but at the end of the term, the Partnership will own it with an option to OCRRA to purchase it at that point for Fair Market Value. The Partnership will retain tax ownership of the Facility during the term.

OCRRA will establish a Capital Refurbishment Fund to assist in funding OCRRA’s share of needed Capital Refurbishment Projects, which is included with assets limited to use on the statement of net position.

7. FACILITY LEASE AND SERVICE AGREEMENT (Continued)

Renewal of Facility Lease and Service Agreement (Continued)

As described in Note 8, OCRRA issued 2015A and 2015B series debt in accordance with the terms of the facility lease renewal. This resulted the recognition of new facility lease assets, which will be recognized throughout the term of the contract extension and in an amount approximating the underlying debt service requirements of the 2015A and 2015B series debt. OCRRA may refinance, issue or call any debt issued under the contract extension at OCRRA's sole discretion as long as such action does not violate the extension agreement terms. OCRRA may call any new bonds issued under the terms of any bond indenture provided OCRRA provides adequate advance notice to the Partnership at least prior to October 1st of the preceding year. The debt service for the refinanced 2003 Series B bonds and Capital Refurbishment bonds, as applicable, will be added to the Service Fee, and payment will be made in a similar fashion as under the previous service agreement. The Partnership will provide an initial \$21,000,000 parent guarantee declining on an annual basis by \$500,000 per year until it reaches \$16,000,000.

The Waste-to-Energy operations cost is composed of the following:

	<u>2019</u>	<u>2018</u>
Operating and pass through costs	\$ 16,489,306	\$ 16,376,163
Capital charge	<u>4,189,233</u>	<u>4,187,300</u>
Total	<u>\$ 20,678,539</u>	<u>\$ 20,563,463</u>

Future minimum annual lease payments from the Partnership are as follows at December 31:

<u>Year</u>	<u>Amount</u>
2020	2,015,000
2021	2,115,000
2022	2,220,000
2023	2,330,000
2024 – 2028	13,515,000
2029 – 2032	13,420,000
2033 – 2035	<u>11,615,000</u>
Total future minimum lease payments	47,230,000
Less: Income recognized prior to May principal payment	<u>(1,343,333)</u>
Net Investment in Lease	45,886,667
Less: Current portion	<u>(2,015,000)</u>
Long-term portion	<u>\$ 43,871,667</u>

8. 2015 SERIES A AND 2015 SERIES B BONDS PAYABLE

In 2015, OCRRA issued \$54,560,000 in Revenue Bonds, consisting of Series 2015A Tax-Exempt Bonds totaling \$53,505,000 and Series 2015B Taxable Bonds totaling \$1,055,000. The 2015A bonds bear interest at an escalating rate from 3% to 5%. The 2015A bonds have a tiered maturity schedule with annual principal maturations through May 1, 2030, and an \$18,640,000 final maturity on May 1, 2035. The 2015B bonds bore interest at 1.75%, and matured May 1, 2016.

The 2015A bonds maturing on May 1, 2035 are subject to mandatory sinking fund requirements on May 1, 2031 and on each May 1 thereafter as follows:

<u>May 1:</u>	<u>Amount</u>
2031	\$ 3,445,000
2032	3,580,000
2033	3,720,000
2034	3,870,000
2035	4,025,000

As part of the debt issuance, \$42,695,385 in outstanding 2003B bonds were refunded and retired.

Activity relative to the 2015A and 2015B bonds payable for the year ended December 31, 2019 was as follows:

	Balance at December 31, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance at December 31, <u>2019</u>	Due in <u>one year</u>
2015A	\$ 49,165,000	\$ -	\$ (1,935,000)	\$ 47,230,000	\$ 2,015,000
2015B	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 49,165,000</u>	<u>\$ -</u>	<u>\$ (1,935,000)</u>	<u>\$ 47,230,000</u>	<u>2,015,000</u>
Bond Premium	<u>3,755,499</u>	<u>-</u>	<u>(229,932)</u>	<u>3,525,567</u>	<u>229,932</u>
Total	<u>\$ 52,920,499</u>	<u>\$ -</u>	<u>\$ (2,164,932)</u>	<u>\$ 50,755,567</u>	<u>\$ 2,244,932</u>

Activity relative to the 2015A and 2015B bonds payable for the year ended December 31, 2018 was as follows:

	Balance at December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance at December 31, <u>2018</u>	Due in <u>one year</u>
2015A	\$ 51,025,000	\$ -	\$ (1,860,000)	\$ 49,165,000	\$ 1,935,000
2015B	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 51,025,000</u>	<u>\$ -</u>	<u>\$ (1,860,000)</u>	<u>\$ 49,165,000</u>	<u>1,935,000</u>
Bond Premium	<u>3,985,431</u>	<u>-</u>	<u>(229,932)</u>	<u>3,755,499</u>	<u>229,932</u>
Total	<u>\$ 55,010,431</u>	<u>\$ -</u>	<u>\$ (2,089,932)</u>	<u>\$ 52,920,499</u>	<u>\$ 2,164,932</u>

8. 2015 SERIES A AND SERIES B BONDS PAYABLE (Continued)

General covenants require OCRRA to impose charges sufficient to pay debt service, enforce certain contractual obligations that assure continued flow of Onondaga County waste into the System, prepare annual budgets and maintain proper books and records, and to furnish appropriate financial information to the Trustee on an annual basis. These bonds are not actively traded. Specific covenants include the setting of tipping fees and user charges that when taken together with other System Revenues, produces revenues available for debt service in each fiscal year equal to or exceeding 110% of all debt service on the bonds outstanding during the period, and the maintaining of \$3,000,000 in unencumbered cash reserves as of June 30 and December 31 of each fiscal year.

Interest paid as of December 31, 2019 and 2018, amounted to \$2,213,800 and \$2,289,700, respectively.

The following is a schedule of the future minimum payments under the bond agreement, including mandatory sinking fund requirements as of December 31:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	2,015,000	2,124,725	4,139,725
2021	2,115,000	2,021,475	4,136,475
2022	2,220,000	1,913,100	4,133,100
2023	2,330,000	1,799,350	4,129,350
2024	2,445,000	1,679,975	4,124,975
2025 – 2029	14,190,000	6,389,500	20,579,500
2030 – 2034	17,890,000	2,668,975	20,558,975
2035	4,025,000	80,500	4,105,500
Total	<u>\$ 47,230,000</u>	<u>\$ 18,677,600</u>	<u>\$ 65,907,600</u>

9. 2019 BONDS PAYABLE

In 2019, OCRRA issued \$10,835,000 in Revenue Bonds, as subordinate lien bonds under the 2015 Master Indenture. The 2019 bonds bear interest at an escalating rate from 3% to 5%. The 2019 bonds have a tiered maturity schedule with annual principal maturations through May 1, 2034. Interest paid in 2019 amounted to \$292,444. These bonds are subject to the covenants contained in the 2015 Master Indenture.

Activity relative to the Series 2019 bonds payable for the year ended December 31, 2019 was as follows:

	<u>Balance at December 31, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2019</u>	<u>Due in one year</u>
Series 2019	<u>-</u>	<u>\$ 10,835,000</u>	<u>-</u>	<u>\$ 10,835,000</u>	<u>\$ 505,000</u>
Bond Premium	<u>-</u>	<u>\$ 1,506,180</u>	<u>(66,941)</u>	<u>\$ 1,439,239</u>	<u>\$ 100,412</u>

9. 2019 BONDS PAYABLE (Continued)

The following is a schedule of the future minimum payments under the Series 2019 supplemental bond agreement as of December 31:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	505,000	518,825	1,023,825
2021	525,000	500,750	1,025,750
2022	550,000	476,500	1,026,500
2023	580,000	448,250	1,028,250
2024	605,000	418,625	1,023,625
2025 – 2029	3,535,000	1,593,125	5,128,125
2030 – 2034	4,535,000	589,375	5,124,375
Total	<u>\$ 10,835,000</u>	<u>\$ 4,545,450</u>	<u>\$ 15,380,450</u>

10. RETIREMENT PLANS

New York State Employees' Retirement System (NYSERS)

OCRRA participates in the New York State Employees' Retirement System (NYSERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing, multiple employer public employee retirement system, providing retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), established to hold all net position and record changes in plan net position allocated to the System, System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYS RSSL). Once an employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. OCRRA also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to the benefits provided, may be found on the following website shown: www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

New York State Employees' Retirement System (NYSERS) (Continued)

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, employees in NYSEERS contribute 3% of their salary throughout their active membership. For employees who joined after April 1, 2012, employees contribute 3% of their salary until April 1, 2013 and then contribute 3% to 6% of their salary throughout their active membership. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

10. RETIREMENT PLANS (Continued)

Contributions for the current year and two preceding years were equal to 100 percent of contributions required, and were as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 531,275
2018	553,330
2017	529,067

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At December 31, 2019 and 2018, OCRRA reported a net pension liability of \$916,999 and \$420,406, respectively, for its proportionate share of the NYS ERS net pension liability. The net pension liability was measured as of March 31, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuations as of those dates. OCRRA's proportion of the net pension liability was based on a projection of OCRRA's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2019 and 2018, OCRRA's proportion was .0129423% and .0130260%, respectively. For the year ended December 31, 2019 and 2018, OCRRA recognized pension expense of \$654,440 and \$557,494, respectively.

At December 31, 2019, OCRRA reported deferred outflows/inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 180,576	\$ 61,556
Changes of Assumptions	230,496	-
Net difference between projected and actual earnings on pension plan investments	-	235,353
Changes in proportion and differences between OCRRA's contributions and proportionate share of contributions	109,397	8,806
Contributions subsequent to the measurement date	<u>398,456</u>	<u>-</u>
Total	<u>\$ 918,925</u>	<u>\$ 305,715</u>

10. RETIREMENT PLANS (Continued)

New York State Employees' Retirement System (NYSERS) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended March 31:</u>	<u>Amount</u>
2020	\$ 235,838
2021	(154,616)
2022	1,575
2023	131,957
Thereafter	-
Total	<u>214,754</u>

OCRRA recognized \$398,456 as a deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2019, which will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

At December 31, 2018, OCRRA reported deferred outflows/inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 149,945	\$ 123,909
Changes of Assumptions	278,764	-
Net difference between projected and actual earnings on pension plan investments	610,606	1,205,276
Changes in proportion and differences between OCRRA's contributions and proportionate share of contributions	117,057	7,917
Contributions subsequent to the measurement date	<u>414,998</u>	<u>-</u>
Total	<u>\$ 1,571,370</u>	<u>\$ 1,337,102</u>

New York State Employees' Retirement System (NYSERS) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended March 31:</u>	<u>Amount</u>
2019	\$ 134,786
2020	104,314
2021	(288,539)
2022	(131,291)
Thereafter	-
Total	<u>(180,730)</u>

10. RETIREMENT PLANS (Continued)

OCRRA recognized \$414,998 as a deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2018, which were recognized as a reduction of the net pension liability in the year ended December 31, 2019.

New York State Employees' Retirement System (NYSERS) (Continued)

Actuarial Assumptions

The total pension liability at March 31, 2019 was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The actuarial valuation used the following actuarial assumptions:

	<u>ERS</u>
Inflation	2.5%
Salary increases	4.2%
Investment Rate of Return (net investment expense and inflation)	7.0%
Cost of living adjustments	1.3%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and estimates of arithmetic real rates of return for each major asset class are summarized below:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Domestic equity	36.0%	4.55%
International equity	14.0	6.35
Private equity	10.0	7.50
Real estate	10.0	5.55
Absolute return strategies	2.0	3.75
Opportunistic portfolio	3.0	5.68
Real assets	3.0	5.29
Bonds and mortgages	17.0	1.31
Cash	1.0	(0.25)
Inflation-indexed bonds	4.0	1.25
	<u>100.0 %</u>	

10. RETIREMENT PLANS (Continued)

New York State Employees' Retirement System (NYSERS) (Continued)

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position (000's)

The components of the current-year net pension liability of the employers as of March 31, 2019 were as follows:

Total pension liability	\$ 189,803,429
Net position	<u>182,718,124</u>
Net pension liability (asset)	<u>\$ 7,085,305</u>
ERS net position as a percentage of total pension liability	<u>96.27%</u>

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate

Assumption – December 31, 2019

The following presents OCRRA's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the OCRRA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current rate:

	1% Decrease <u>(6.0%)</u>	Current Discount <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
Proportionate Share of Net Pension liability (asset)	\$ 4,009,265	\$ 916,999	\$ (1,680,724)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate

Assumption – December 31, 2018

The following presents OCRRA's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the OCRRA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current rate:

	1% Decrease <u>(6.0%)</u>	Current Discount <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
Proportionate Share of Net Pension liability (asset)	\$ 3,180,905	\$ 420,406	\$ (1,914,866)

Deferred Compensation Plan

Several of OCRRA's employees elect to participate in the New York State Deferred Compensation Plan under Section 457 of the Tax Law.

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Health Insurance Benefits

In addition to providing pension benefits, OCRRA provides health insurance benefits to certain retired employees and their spouses and beneficiaries, hired before April 10, 2002, between the ages of 55 and 65 under a single-employer defined benefit healthcare plan, the Onondaga County Resource Recovery Postretirement Healthcare Benefits Plan. The plan is administered by OCRRA. OCRRA's Board of Directors has the authority to establish and amend the plan's benefits.

Funding Policy

Eligible employees who retire from employment between the ages of 55 and 61 may waive their COBRA rights and continue their health insurance benefits (exclusive of dental coverage) by paying the full cost of the coverage. These employees at age 62 may continue coverage until they become Medicare eligible by paying 25% of the coverage with OCRRA contributing the other 75% of premiums for eligible retired plan members and their spouses. Once these employees are eligible for Medicare they lose their coverage and receive payments equal to \$50 per month until their death. The payments are intended to offset the cost of Medicare supplemental benefits, but retirees are not required to use the payments for that purpose. Represented employees hired after January 1, 2002, and non-represented employees hired after April 10, 2002 are not eligible for any postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

OCRRA's annual other postemployment benefit (OPEB) cost is calculated based on the net OPEB obligation and the estimated amortization years remaining. OCRRA has elected to calculate the OPEB obligation and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. Currently, five retirees are receiving benefits. The following table shows the components of OCRRA's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in OCRRA's net OPEB obligation:

Annual required contribution	\$ 40,593
Actuarial adjustment	(95,309)
Contributions made	<u>(64,011)</u>
Decrease in net OPEB obligation	(118,727)
Net OPEB obligation - beginning of year	<u>565,246</u>
Net OPEB obligation - end of year	<u>\$ 446,519</u>
Annual OPEB cost	\$ 40,593
Percentage of annual OPEB cost contributed	158%

OCRRA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, the net OPEB obligation for the fiscal year 2019 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2017	\$ 48,937	139.49%	\$ 636,185
12/31/2018	47,104	170.34%	565,246
12/31/2019	40,593	157.68%	446,519

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about retirement age and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations. The valuation is performed December 31 of each year.

The following simplifying assumptions were made:

- *Retirement age for active employees* - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 63.4 years.
- *Marital status* - Marital status of members at the calculation date was assumed to continue throughout retirement.
- *Eligibility* - Retirees are entitled to benefits until the age of 65 years.
- *Healthcare cost trend rate* - The expected rate of increase in healthcare insurance premiums was a rate of 10% initially, reduced to an ultimate rate of 5% after eight years.
- *Health insurance premiums* - 2016 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.
- *Early Retirees* - Health insurance costs for early retirees were calculated based on actual expenses during 2016 and assumes that each retiree retains their current coverage through the date they become Medicare eligible.

Based on the historical and expected returns of OCRRA's cash and cash equivalents, a discount rate of 4% was used.

12. COMMITMENTS AND CONTINGENCIES

Operating Leases

OCRRA leases land, equipment and office facilities under operating leases. Rental payments under these agreements were approximately \$88,000 and \$89,000 during 2019 and 2018, respectively. Obligations under all cancelable and non-cancelable long-term operating leases are as follows at December 31, 2019:

<u>Year</u>	<u>Amount</u>
2020	\$ 97,860
2021	98,860
2022	50,360
2023	860
2024	<u>860</u>
Total	<u>\$ 248,800</u>

Capital Leases:

During 2017, OCRRA initiated a municipal finance lease program for the purchase of replacement equipment required for OCRRA operations. These capital leases allow OCRRA to preserve cash reserves while purchasing needed equipment in a timely manner. Interest rates on capital leases range 1.75% to 3.38%, and each lease is for a term of 5 years. During 2019, OCRRA made principal payments of \$1,477,600, and interest payments of \$99,571. These payments included a payoff of Lease #3.

The following is an aggregate schedule of future capital lease principal and interest payments as of December 31:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	940,836	62,984	1,003,820
2021	853,746	39,895	893,641
2022	532,259	19,640	551,899
2023	256,108	6,008	262,116

Landfill Contracts

OCRRA has a contract with High Acres Landfill for ash disposal through December 2020. The per ton incinerator ash residue disposal charge will range from \$14 to \$16 over the term of the contract. OCRRA has a contract with Seneca Meadows, Inc. through December 2020, for bypass, ash, and tire disposal. The per ton solid waste/bypass solid waste disposal charge will range from \$23 to \$25.39 for by-pass, \$18 to \$20.60 for ash, and \$50/ton for tires, over the term of the contract. OCRRA has a contract with Madison County Dept. of Solid Waste for ash disposal through June 2027, with two four year options thereafter, a per ton incinerator ash residue disposal charge ranging from \$14 to \$15.50 through 2019, and an escalation of 2% per year thereafter. Total costs incurred under all agreements were \$2,141,514, and \$2,100,410 during 2019 and 2018, respectively and are included in landfill contracts on the statements of revenues, expenses and changes in net position.

12. COMMITMENTS AND CONTINGENCIES (Continued)

OCRRA entered into an Interim Host Community Agreement (Interim Agreement) with the Town of Van Buren (Van Buren) in 1998. The Interim Agreement provides for annual payments to Van Buren during the period prior to development of the landfill facility. The Interim Agreement includes provisions for annual increases based upon a five-year rolling average of the Van Buren tax rate. In no case shall such annual increase be greater than 2%, according to the Interim Agreement. The Host Community Interim Agreement was extended pursuant to an automatic renewal provision through the year 2020.

OCRRA recorded payments to Van Buren in the amount of \$60,099 and \$59,491 in 2019 and 2018, respectively.

Property Stabilization

In 1997, OCRRA approved a property stabilization program to assist a limited number of property owners who live immediately adjacent to the landfill site. Payments under the plan make up a portion of the difference between the fully assessed value of a property and the actual sales price. In 2019 and 2018, no such payments were made.

Litigation

OCRRA is occasionally a party to various proceedings arising in the normal course of business. There are presently no proceedings pending that would have a significant impact on the financial position of OCRRA.

Recycling

OCRRA's current contract with a local material recovery facility has a market based termination clause. Should either party cancel this agreement, OCRRA could incur significant expenditures to continue its recycling program.

Union Contract

OCRRA's contract with union employees runs through December 31, 2022.

Construction Contract

OCRRA has entered into a construction contract with Murnane Building Contractors, Inc. for its Rock Cut Road location in the amount of \$7,103,000, for the improvement of the services offered at the site in order to comply with recently revised state regulations. This uncompleted construction contract has approximately \$1,825,000 of work remaining as of March 11, 2020, all of which is expected to be completed during the 2020 fiscal year.

13. NATIONAL GRID AGREEMENT

OCRRA and National Grid participate in an electricity purchase agreement through 2025. National Grid and OCRRA have established the upper limit for the agreement at 243,000,000 Kwh. For calendar years 2016 through 2025, OCRRA receives 77.50% of the market rate. In 2019 and 2018, respectively OCRRA received an annual average sale price of 1.52 and 2.44 cents per kilowatt hour.

14. CONCENTRATION

The top five haulers delivered approximately 63% and 61% of the total municipal solid waste to OCRRA during the years ended December 31, 2019 and 2018, respectively. These haulers also accounted for approximately 65% and 68% of accounts receivable at December 31, 2019 and 2018, respectively.

During 2018, one of OCRRA's large haulers went into receivership. OCRRA has recorded bad debt expense related to this hauler of approximately \$843,000, which is included in other operating expenses on the statements of revenues, expenses, and changes in net position. OCRRA has been granted a court judgement for the entire balance owed.

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through March 11, 2020, the date the financial statements were available to be issued.

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS DECEMBER 31, 2019

<u>Year</u>	Actuarial Value of <u>Assets</u>	Unfunded Actuarial <u>Accrued Liability</u>	<u>Funded Ratio</u>
December 31, 2017	-	636,185	0%
December 31, 2018	-	565,246	0%
December 31, 2019	-	446,519	0%

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule of Proportionate Share of Net Pension Liability (Asset) – in thousands

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the net pension liability (asset)	.01%	.01%	.01%	.01%
Proportionate share of the net pension liability (asset)	\$917	\$420	\$1,154	\$2,019
Covered employee payroll	\$4,044	\$3,894	\$4,021	\$3,653
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	22.68%	10.78%	28.70%	55.26%
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.27%	98.24%	94.70%	90.70%

Schedule of Contributions, Pension Plans – in thousands

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 531	\$ 553	\$ 524	\$ 533
Contributions in relation to the contractually required contribution	<u>\$ 531</u>	<u>\$ 553</u>	<u>\$ 524</u>	<u>\$ 533</u>
Contribution deficiency (excess)	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Covered employee payroll	\$4,044	\$3,894	\$4,021	\$3,653
Contributions as a percentage of covered-employee payroll	13.13%	14.20%	13.03%	14.59%

Information for periods prior to the implementation of GASB 68 (2008-2014) is unavailable and the above-related disclosures will be completed each year going forward as information becomes available.



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CERTIFIED PUBLIC ACCOUNTANTS PLLC

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Onondaga County Resource Recovery Agency
North Syracuse, New York**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Onondaga County Resource Recovery Agency (OCRRA) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise OCRRA's basic financial statements, and have issued our report thereon dated March 11, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered OCRRA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCRRA's internal control. Accordingly, we do not express an opinion on the effectiveness of OCRRA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCRRA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OCRRA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the OCRRA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

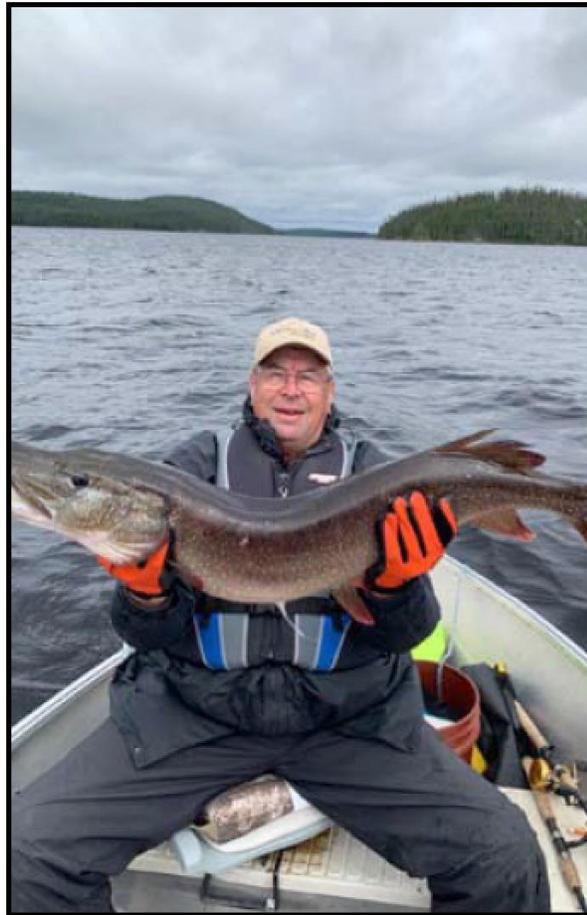
A handwritten signature in blue ink that reads "Grossman St Amour CPAs". The signature is written in a cursive, flowing style.

Syracuse, New York
March 11, 2020

In Memorium

It is with a heavy heart, that OCRRA mourns the unexpected passing of Bill Bulsiewicz, our Agency Counsel. Bill saw it all at OCRRA. He began his career here in 1990, at OCRRA's inception. Bill was a wealth of historical information and provided us all wise legal counsel. He played a pivotal role in ensuring that the U.S. Supreme Court upheld the *Oneida-Herkimer* decision, which maintains the right of municipalities to "flow control" garbage; an underlying principle supporting the OCRRA system.

Bill was an avid outdoorsman; regularly taking part in fishing trips and bird hunting outings with his beloved Brittany Spaniels, Riley and Petey. We will miss Bill's wise counsel, his depth of knowledge, his good humor and his kindness. Rest in peace, Bill.



**Bill Bulsiewicz
1949-2020**

OCRRA Management

Dereth Glance
Executive Director

Michael Mokrzycki
Business Officer

Cristina Albunio
Engineer

Renee Czerwiak
Executive Secretary

William J. Bulsiewicz, Esq.
Legal Counsel

Kristen R. Lawton
Public Information Officer

Andrew J. Radin
Recycling & Waste Reduction Director

Kevin Spillane
Transfer Operations Director

Onondaga County Resource Recovery Agency

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