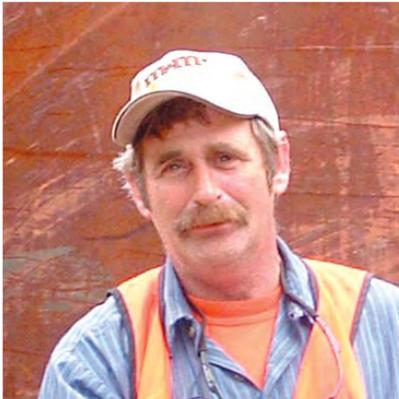




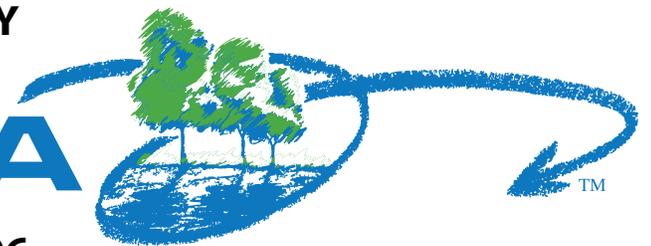
EXCELLENCE IN SERVICE



**ONONDAGA COUNTY
RESOURCE RECOVERY
AGENCY**

OCRRA

ANNUAL REPORT 2006



Report from the Chair

E X C E L L E N C E

The Onondaga County Resource Recovery Agency (OCRRA) remains vibrant and healthy. It takes great pride in providing our local businesses and residents with vital services that are sometimes taken for granted. We provide environmental solutions, not problems. Our objective is to run a “glitch-free” operation which simultaneously develops earth friendly programs.

Global warming, preservation of natural resources and the hunt for alternative energy sources captured the headlines during 2006. OCRRA’s Board of Directors understands that the means through which we as a society

tackle these pressing problems will have a definite impact on the future lifestyles we leave our children and our children’s children. Consequently, the OCRRA Board is committed to be a leader in such areas as reducing the Agency’s “carbon foot-print” through aggressively recycling, the use of bio-fuels and other alternative energy sources, among many others. OCRRA continues to set the example of conserving precious resources through its total commitment to “reduce, reuse, and recycle.”

The OCRRA Board and team have worked assiduously to identify and partner with those groups that are dedicated to our goals of preserving the environment and adopting those measures that conform with

OCRRA’s vision, mission, and core values. To that end, the Agency has teamed up with the Go Green Initiative to bring the recycling and waste reduction program into local schools. This ambitious effort has resulted in 29 schools in Onondaga County adopting Go Green

Initiatives that put into practice recycling and waste reduction concepts that are more often than not bandied about but unfortunately never reach fruition. The number of schools in Onondaga County that have climbed aboard the Go Green Initiative bandwagon is now 29. That is the highest participation rate in New York State. All OCRRA Directors and staff look forward to the Agency’s new advertising campaign which will be launched later this year. We strongly believe that it will encourage our community to reduce, reuse and recycle to a degree that is unmatched anywhere else. Our vision of establishing OCRRA as the leader in local waste disposal and recycling solutions making our community one of the best places to live and work by 2010 remains steadfast. OCRRA is well positioned to build upon its success in the years ahead and to achieve great things.

Another example of OCRRA’s pioneering efforts was the unveiling of a new program offering residents free and safe disposal of spent fluorescent light bulbs. These bulbs have become much more popular during the past few years as the search goes on for ways to reduce our energy usage. They do, however, currently contain small amounts of mercury which, as we all well know, is a considerable health hazard. OCRRA partnered with 14 ACE and True Value Hardware Stores to provide outlets for the free disposal of residential fluorescent lights. OCRRA is underwriting the costs for the shipping boxes as well as the recycling of the mercury, glass, and metal caps. It is just

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I N S E R V I C E

one more facet of OCRRA's determination to keep harmful metals, such as mercury, out of the waste stream.

The Agency's unrestricted reserves improved by approximately \$1.5 million over last year. Maintaining a strong reserve account will better ensure that the Agency will have sufficient resources in the future to cope with any unforeseen decline in revenues. Indeed, OCRRA's prudent investing practices yielded an additional \$1 million last year.

OCRRA's stewardship is not limited to Onondaga County. OCRRA filed an amicus curiae (friend of the court) brief with the United States Supreme Court arguing that there was a distinction between publicly and privately operated solid waste management systems. The U.S. Second Circuit Court of Appeals in 2001 had ruled that a law directing that all solid waste within a system be directed to a publicly owned facility did not violate the interstate commerce clause provided that it could demonstrate that there was a proper local purpose. A private haulers association appealed to the U.S. Supreme Court. OCRRA's brief argued that to reverse the Second Circuit decision would unduly interfere with the governmental police powers firmly established. The decision is expected to be handed down sometime in the spring of 2007. Although Onondaga County did enact a law similar to the one being challenged in the U.S. Supreme Court, OCRRA had previously negotiated contracts with haulers servicing our community which extend through 2010.

New York State enacted the Public Authorities Accountability Act in the wake of corruption in both the private and public sectors several years ago that resulted in headlines from coast to coast. A cornerstone of this act is to assure the public that non-profit governmental entities, such as OCRRA, conduct their activities in an air of transparency. Integrity and honesty are at the heart of the core values of OCRRA. Retaining the public's confidence in the Agency's operations is of paramount importance to OCRRA's Board. Accordingly, the Board of Directors adopted a set of Governance Principles. At least once a year the OCRRA Board will review the Governance Principles to conform to the best practices and requirements of the industry. The Board of Directors also established a separate Audit Committee that oversees the internal audit of the Agency and also oversees the external financial audit reports.

As Chair, I am most appreciative of the time and effort our Directors and other citizen volunteers devote to OCRRA. In particular, I would like to thank Rainer Brocke, Jeffrey Evans, and Michael Dems, each of whom is leaving OCRRA's Board. They have all served with great distinction and on behalf of the OCRRA Board and community at large, I extend my deep appreciation to them for their interest and commitment to OCRRA. ♦

OCRRA's Mission

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



John R. Brennan, Esq.
OCRRA Chair

Report from the Executive Director

E X C E L L E N C E

Strong performances were reported in revenues, material tonnages processed in an environmentally sound manner including recycling activities and events throughout Onondaga County, and an exceptional safety record.

Safety in the workplace is one of the top priorities at OCRRA. Historically, those employed in solid waste toil in an occupation that is among the highest when it comes to injuries on the job. During the past ten years OCRRA has placed a heavy emphasis on safety training. Transfer station employees as well as all other OCRRA team members are required to attend a series of safety training seminars. Over the years there has been a steady decrease in the number of lost time accidents resulting from on the job injuries. During 2006, the numbers were overly impressive. There were only 18 reportable accidents, only one resulted in lost time and that was for a total of a single day. Paying attention to this critical detail of OCRRA's operation benefits the organization by maintaining or even reducing workers compensation costs.

OCRRA's mandatory recycling program was launched in July of 1990. It witnessed steady growth during the first fourteen years, but OCRRA—as is the case with so many organizations across the country—has experienced a “plateauing” of enthusiasm. From its

inception, OCRRA's recycling program annually demonstrated continued growth, although during the last few years the fizzle has gone a bit flat. With that as a backdrop, OCRRA solicited Requests For Proposals from area advertising agencies to assist us in putting the pop back in our message. The selection process included Board members and OCRRA team members. This group ultimately decided

to retain the ABC Creative Group. ABC's first task was to retain a professional research firm to conduct incisive research on how the community viewed recycling, its thoughts about OCRRA's programs, where we excelled, and those areas requiring improvement. With that information in hand, our outside advertising firm was then poised to develop an ad campaign to add energy to our recycling message. A focus group helped to develop the questions for a phone survey of more than 400 persons in Onondaga County. Here's a quick glance at some of the findings:

- » There was an overwhelming positive image of OCRRA.
- » 90% of the respondents reported they have at least one Blue Bin.
- » Homeowners were more likely to have two blue bins while 30% of renters said they had no blue bins, but their complex did offer centralized recycling.
- » The vast majority said that recycling was very easy.
- » Some respondents reported that they may recycle, use their Blue Bins, but do not necessarily connect the dots to OCRRA.
- » There was a need to better educate people on what they could recycle.
- » Most respondents say they do recycle but when in doubt if an item is recyclable they tend to trash it.
- » Respondents of this survey say they do recycle and are open to traditional advertising methods to know what else they can recycle.
- » 43% reported they have read the OCRRA newsletter with 81% saying they received it at home.
- » Only a little more than one-half recycle junk mail and most think they recycle at work.

“Since 2002 the Agency has vigorously supported state legislation for adoption of an expanded bottle deposit bill which would increase recycling and reduce roadside litter.”

I N S E R V I C E

Although the research did not yield any startling responses, it did confirm some assumptions we had gathered through anecdotal findings and definitely reflected the need to draw a stronger correlation between the Blue Bin and OCRRA. OCRRA is enthusiastically confident that this marketing firm will assist in adding some buzz to the recycling program.

During the past year the community's overall recycling numbers were up several thousand tons although there was a slight dip in the curbside numbers. Our residents and businesses continue to recycle at a clip exceeding 66% of the waste stream. Our goal: make it grow even more.

Tonnage processed at the Waste To Energy Facility was up by approximately 6,000 tons over the prior year. The Facility's environmental record continues to be a strong one. Its annual stack tests complied with the regulatory permit limits. In the vast majority of instances, they represented only a small percentage of the allowable limits. This is even more impressive when consideration is given to the fact that these permit parameters were ratcheted down from the original ones set in 1992 to the far more stringent limits which took effect in 2003 under Title V of the Clean Air Act Amendments.

Financially, it was another solid year for the Agency. Net assets were up more than 9%. A comprehensive review of the Agency's financial picture at year's end appears later in this report.

OCRRA's Recycling team continued to offer its laundry list of services and programs to households, businesses, apartments, and schools, but added some new wrinkles. For example, in addition to the recycling credits offered to the three major charitable groups serving the community, the Agency is offering a grant of up to \$300 annually for those cash strapped non-profits that are not recycling because they simply lack the money to do so. The grants will permit them to retain recycling

services by the commercial hauler that currently handles their trash removal. Our Recycling Team had discovered during their visits that a number of non-profits simply could not afford the expense of adding recycling services to their operational costs. The issue was brought before the Board which then moved to underwrite this investment.

Much of 2006 was consumed with plans that peered into the future. The year 2007 expects to be an exciting one and, if all goals are met, fruitful as well. Among the targeted objectives is entering into a short term lease for a centrally located commercial warehouse space to create a Recycling Events Center. The concept is to test the public's participation in year round recycling activities such as the continuous collection of books, electronics, and other non-hazardous wastes that normally are accepted during special events only.

Also on the docket is a proposal to enter into long term leases with Onondaga County for the sites that currently house our two compost operations. The OCRRA Board is anxious to move ahead with plans for upgrading and expanding both facilities with the understanding that the Agency will have them to use for a number of years.

Since 2002 the Agency has vigorously supported state legislation for adoption of an expanded bottle deposit bill which would increase recycling and reduce roadside litter. The new governor has strongly supported adoption of such a measure that would cover those non-carbonated drinks that have exploded in popularity since the original legislation was enacted back in 1982. This appears to be the year when passage of this much needed legislation could occur.

We have a full agenda for the coming year and look forward with eagerness to the challenges and opportunities that await us. 



Tom Rhoads
Executive Director

Volunteer Board of Directors



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*OCRRA Chairperson
Attorney at Law
Byrne, Costello, & Pickard, P.C.*



Dereth Glance
*OCRRA Vice Chairperson
Recycling Committee Chairperson
Program Director
Citizens Campaign for the Environment*



Mark Donnelly
*Audit Committee Chairperson
Carrier Corporation*



Anthony G. Mangano
*General Manager
Ramada Inn*



Donald J. Hughes, P.E., Ph.D.
*Senior Scientist
Onondaga Environmental Institute*



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*Insurance Broker
Antelmi, Fusco, & Cazzola*



Ravi Raman, P.E.
*OCRRA Treasurer
 President
 RAM-TECH Engineers, P.C.*



Roger B. Eidt
*Administration Committee Chairperson
 Resident Construction Manager
 Kvaerner-John Brown Inc.
 (retired)*



Jonathan Y. Kelley
*Operations Committee Chairperson
 President
 Velasko Concepts, Inc.*



Robert R. Ripberger
*Carrier Corporation
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Gwendolyn Raeford
*Science Teacher
 G.W. Fowler High School*



John P. Copanas
*City Clerk
 City of Syracuse*



Earl R. Hall
*Executive Director
 Syracuse Builders Exchange*



Jake Barrett
*Director, Oxford Housing Services
 Catholic Charities*



Gary Lavine, Esq.
*Attorney at law
 Green · Seifter Attorneys, PLLC*



Recycling

The Community Joins



In 2006, the community recycled 66% of all the waste generated in homes, businesses, and schools. It's Onondaga County's #1 team effort, and it all adds up to over 690,000 tons of material recycled in 2006. Maintaining this level of recycling achievement, year after year, is truly a reason to celebrate, and represents significant progress towards achieving the Agency's vision to be recognized as a world leader in local waste disposal and recycling solutions by 2010.

Over 42,000 tons of material were recycled once again through the residential curbside recycling program during 2006, representing over 175 pounds for every man, woman, and child in the OCRRA service area. Over 550,000 tons of residential materials have been recycled since 1991. How does a community achieve this kind of environmental milestone? It all happens one blue bin at a time; everybody does their part each week to recycle newspapers, magazines, metal containers, and glass and plastic bottles. Include what businesses and schools generate, and the community has recycled a very impressive quantity of materials in the past 15 years; about 10 million tons! Avoided waste disposal costs are impressive too, exceeding \$400 million.

Each year, OCRRA works together closely with residents, schools, and businesses on a variety of special environmental programs and community partnerships. The purpose is to fulfill the Agency's mission of providing solid waste solutions that are environmentally sound, highly efficient, safe and innovative; all while utilizing the optimal mix of waste reduction, recycling, and disposal. ♦

OCRRA's recycling programs are year round and cover lots of ground (a) July's book recycling (b) Shred-O-Rama in the fall (c) mulch in demand at compost sites from spring to winter (d) fluorescent light recycling (e) Blue Bin distributions at inner city stores.

Recycling Achievements in 2006: At least 32 Reasons for the Community to Celebrate!

1. A super safe year! There were ZERO accidents at Agency events and compost sites. Many of these events involve over 1,000 vehicles; there were no accidents involving residents or coworkers in 2006.
2. Completed a Waste Quantification and Characterization Study, based upon an intensive 2-week analysis of our community's waste and recycling streams. Results will help the Agency develop cost-effective programs to remove more recyclables from the waste stream.
3. Conducted another successful – and hugely popular – propane tank and room air conditioner drop off event; over 1,100 propane tanks and over 930 room conditioners dropped off for recycling. To date, our local collection is the most successful event of this type held anywhere in NY State. Chlorofluorocarbons (CFCs) were safely removed (CFCs in the upper atmosphere contribute to ozone depletion and heighten the "greenhouse gas effect.").



Numbering among the 5,000 Earth Day volunteers were representatives from the Rescue Mission.

(f) OCRRA's Jeff Cooper presents public venue recycling containers to county parks personnel (g) Young Katie Cooper demonstrates new apartment recycling containers (h) transit shelters are ideal to convey the recycling message (i) Karen Cota & Tim Clements undeterred by rain and chilly weather on Earth Day trash bash.



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Together to Recycle 66% of All Waste

4. One of the Agency's highest profile communication tools – the newsletter – took on a fresher, sharper, more colorful look in 2006. Many high quality articles from recycling team members added to the positive impact of the publication, which now reaches over 55,000 residents each quarter.



Household Hazardous Waste days always attract records crowds which receive safe disposal of harmful substances.

5. OCRRA was awarded a \$600,000+ grant from the New York State Department of Environmental Conservation to offset expenses incurred for OCRRA's recycling outreach efforts 2003 – 2006; this is the largest grant reimbursement check the Agency has received in the last five years!

6. Conducted three household hazardous waste collection events, serving over 3,000 residents, and safely removing huge quantities of potentially dangerous materials from the waste stream. Residents continue to be very favorably impressed by the level of organization and friendliness that greets them for these events.

7. Again partnered with ProShred, Confidata,

and Shoppingtown Mall to provide over 1,000 residents with free shredding of confidential documents, as part of America Recycles Day; over 120,000 pounds of paper were recycled. Who knows how many residents were spared the frustration associated with identity theft, thanks to this program.

8. Re-launched the Agency's apartment recycling seminar series, to help apartment managers implement top-notch recycling programs at their residential complexes.

9. 15,000 new apartment recycling containers received, all imprinted with the community's latest recycling instructions right on the sides.

10. Collected hundreds of mercury thermostats and mercury thermometers at the Rock Cut Road Transfer Station. OCRRA teamed up with Bristol Myers Squibb and Onondaga County Department of Water Environment Protection to provide residents with hundreds of non-mercury thermometers in exchange for mercury thermometers. The mercury thermometer exchange helps prevent mercury contained in household thermometers from escaping into the environment when the thermometers are broken or thrown away.

11. Submitted thousands of dollars in grant requests to support a variety of Agency programs, including advertising and public education, household hazardous waste collection, computer recycling, compost site equipment and recycling personnel costs.

12. Assisted hundreds of businesses, schools, and apartments throughout Onondaga County with implementing or enhancing their recycling programs. Recycling Specialists played an integral role in the success of the local Go Green Initiative within the Syracuse City School District.

13. Collected over 100,000 pounds of batteries for recycling through the annual curbside collection and ongoing partnership with WEGMANS Supermarkets in the area.



OCRRA's outreach programs include (a) Justin Rudgick spreading the gospel of recycling (b) providing "green thumbs" with compost & mulch (c) providing a mobile hazardous waste drop off site (d) OCRRA's Elaine Van Avery using a blender to literally recycle paper for students (e) being there in the dead of winter for computer recycling.

The Community Joins



14. Continued advocating for expansion of the New York State Bottle Bill to include non-carbonated beverage containers in order to increase recycling and reduce roadside litter.

15. Over 80,000 pounds of litter and 700 abandoned tires were collected at OCRRA's annual Earth Day clean up, thanks to volunteers from over 300 groups; one of the single largest litter pick up days anywhere in the country!

16. New hotel/motel recycling containers purchased by OCRRA and distributed to hundreds of hotel rooms throughout the county.

17. Distributed over 2,000 gallons of recycled/reprocessed paint to local human service organizations and municipalities.

18. OCRRA partnered with over a dozen local non-profits, libraries, and schools, including H.W. Smith Elementary School, Hazard Branch Library, the Dunbar Association, and the American Filipino Association, in connection with book collection during month of July, resulting in thousands of books harvested for use in their literacy, educational, and enrichment missions.

19. Served over 30,000 visitors at the Agency's two yardwaste compost sites. Thousands of cubic yards of yardwaste mulched for reuse in local gardens.

20. Participated in numerous area events and fairs, including the Golden Harvest Festival, Taste of Westcott Street (over 150 blue bins to college students), and Home and Garden Show. OCRRA also established a great new exhibit location at the New York State Fair, and created a colorful display highlighting how materials are recycled into new products.

21. A new initiative was launched to help small, local non-profit agencies cover recycling transport costs; the program has been embraced by human service agencies in our community.

22. A new partnership with 14 local hardware stores was established (with February 2007 launch date) to help local residents safely recycle their old fluorescent tubes.

23. A new horizontal yardwaste grinder was purchased that provides added safety and efficiency to OCRRA's compost operations.

24. A high-profile media campaign provided holiday recycling tips, and Christmas tree recycling was again offered at OCRRA's compost sites.



Giant water bottle at OCRRA State Fair booth supports expansion of New York's bottle deposit law to cover non-carbonated beverage containers.

25. A new, high powered paper shredder was permanently stationed at the Rock Cut Road Transfer Station to recycle paper, and help residents avoid the dangers of identity theft.

26. An OCRRA Recycling Specialist helped facility maintenance personnel at Onondaga Community College install an effective recycling system at the new OCC dormitory complex.

27. OCRRA's recycling team took it to the streets, with door to door distribution of new blue bins where none were observed on trash collection day.

28. Over 400,000 pounds of old computers and TV's were collected at four well-attended collection events; over 1.3 million pounds of old electronics collected to date. As part

(f) books dropped off at recycling center are then
 (g) harvested for children in the Philippines
 (h) transit riders find out it's easy to recycle
 (i) household hazardous waste days are hard work.



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Together to Recycle 66% of All Waste

of these events, participants responded to OCRRA's request to bring a non-perishable food item for the Food Bank of CNY; thousands of pounds of food have been collected.

29. The Agency's email list increased to over 11,000 addresses. And a sharp new email blast system was implemented, enhancing the quality of the campaigns, and allowing for better evaluation of effectiveness.

30. We also took it to the street with blue bin giveaways at inner city neighborhoods, including NOJAIMS on Gifford St. Jimmy's Super Saver on South State St., P&C on Salina St., and Wilson Farms on South Avenue. Over 1,000 blue bins were distributed on one day.

31. Striving to be recognized as a world leader in environmentally sound recycling and solid waste solutions, recycling team members provided high profile presentations at a number of national and statewide conferences in 2006, including the National Recycling Coalition conference, the New York State Federation Conference, and the National Solid Waste Technology and Management Conference.

32. OCRRA's recycling educator consultant, a New York certified teacher, spoke to 12,000 local students in 400 classes, bringing a message of recycling, resource conservation, and environmental stewardship. ♦

Beyond these noteworthy activities, a host of other services continued to be provided through the recycling program, including the following:

- » Ran a recycling drop off six days/week, year round for mandatory recyclables at the Agency transfer stations. Provided a no-charge drop-off for household scrap metal and office paper from small businesses.
- » Guaranteed a zero tip fee for haulers who deliver curbside recyclables to the Agency's contracted Material Recovery Facilities. OCRRA paid \$68,000 in administrative fees related to the processing of recyclables collected from the households of the community.
- » Coordinated a curbside collection of phone books during a six-week period that coincided with the distribution of the Verizon phone book. Verizon Yellow Pages and Alltel provide free space to OCRRA to run its recycling instructions in the phone books.
- » Ran a high-profile public education program to increase recycling that included billboards, radio and newspaper ads, the production of flyers, and promotional materials like pencils and badges that were distributed at the New York State Fair and to school children.
- » OCRRA's Enforcement Officers conducted regular random inspections of trash for recyclables at the Resource Recovery Facility operated by Covanta Energy for OCRRA, and curbside inspections for recycling compliance.

OCRRA continues to provide the community with a wide-ranging variety of environmental programs. Each year, residents enthusiastically respond to these opportunities to recycle and properly dispose of various materials in a manner that protects the environment and benefits future generations. ♦



Brightly colored billboards encourage city dwellers to get their second blue bin.



Transfer Operations

Ley Creek and



During 2006, Transfer Operations continued to achieve its goals of safe and efficient operations at our two Transfer Stations while maintaining excellent customer service, in accordance with our Mission Statement. During the course of the year, our drivers traveled over 602,000 miles transporting ash residue and by-pass material to an out of county landfill, processible material to the Waste to Energy facility and recovered metal and corrugated cardboard to appropriate recycling facilities. Customer comments continue to be favorable and increased utilization of the Rock Cut Road facility by small users as well as the continuation of the popular Flat-Rate system at Ley Creek have contributed to less waiting time and better overall customer service.

It is extremely important to recognize the efforts of the Agency Safety Officer, the Safety Committee and all co-workers in making 2006 one of the safest years ever for operations. During this year, there was a total of 18 accidents recorded. Only six of these were reportable under current PESH/OSHA requirements. Only one accident resulted in lost time, for a total of one day. This is exceptional considering the nature of the solid waste industry and the dangers inherent in performing this necessary public service. The continual Safety Training consisting of a mix of in-house training and contracted training funded by a Hazard Abatement Board Grant Program has led to an increase in Safety Awareness throughout the entire Agency. This has undoubtedly contributed to the safety of our workforce and customers. The goal is zero accidents and zero lost time.

Ley Creek Transfer Station

Construction & Demolition Debris and oversized MSW were received and processed at the Ley Creek Transfer Station in 2006. The total intake at the station was over 97,400 tons. This material was processed and separated by the transfer station workers for delivery to several different facilities. The Waste To Energy Facility received 78,763 tons of material from Ley Creek. In addition, 4,060 tons of scrap metal and corrugated cardboard were recovered and recycled. Two thousand one hundred twenty-three (2,123) items containing CFC refrigerant were removed from the waste stream. A contractor extracted the CFC refrigerant in accordance with EPA and DEC Regulations for recycling and the metal shells were sent to a scrap recycler. In addition, 1,403 microwave ovens were recovered from the waste stream and recycled by an approved vendor. The by-pass waste was transported in Agency tractor-trailers to an out of county landfill. The number of customer vehicles served at Ley Creek was 67,714 including 29,285 Flat Rate customers. This equates to 43% of all traffic at the Ley Creek Transfer Station. The huge success of the Flat Rate system allows all customers to move in and out of the facility in a minimum amount of time while maintaining a high level of customer service and safety.

Rock Cut Road Transfer Station

The increased utilization of the Rock Cut Road Station by homeowners and other small users has diverted traffic from the Ley Creek facility. This has resulted in improved turn around times and customer service for all we serve. The materials recovered from the Rock Cut Road Station in 2006 included 469 items containing CFC refrigerant, 238 tons of scrap metal, 357 microwave ovens and 182 tons of corrugated cardboard, in addition to the recyclable materials collected in the recycling bins.

(a) OCRRA's transfer stations team leaders (l-r) Joe Broome, Leroy Sabin, & Joe Fontanella and (b) Mitch Stewart (c) Rickey Carbone (d) Ken Chamberlain (e) Charlie Maret

(f) Bob Rebensky
 (g) (l-r) Nick Andriatch, Walter Lindsey, & J. T. Lively (h) Randy Jones (i) Joanne Harsma
 (j) Earth Day tire pile.



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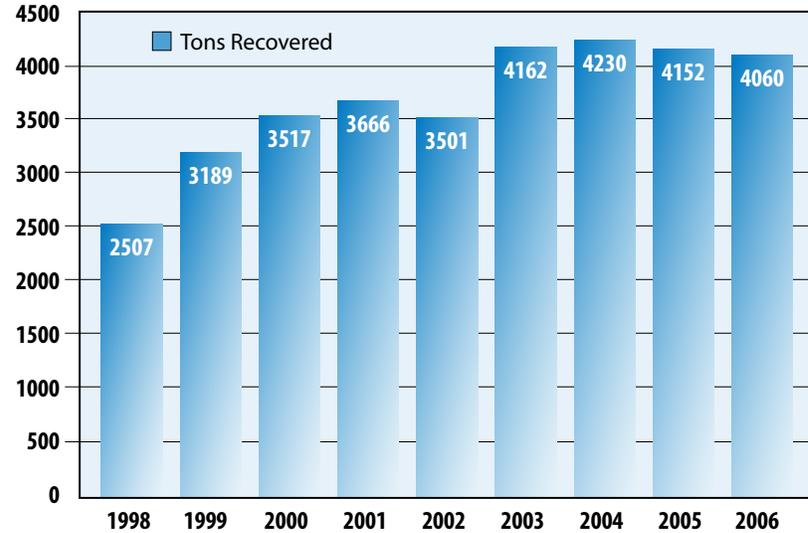
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Rock Cut Road Transfer Stations

Ley Creek Metal Recovery



Due to construction of a new retaining wall, which required closing the normal drop-off area for customer safety, the extremely popular Flat Rate system was instituted for approximately two months. During this time, customer comments were solicited regarding this service option. The response was nearly ten to one in favor of adopting this system permanently in lieu of the normal scale

operations. This concept is being implemented by Agency management.

The Rock Cut Road Transfer Station also houses the Agency maintenance shop and is the base for our fleet of ash transport dump trucks. During 2006, Agency drivers transported 93,110 tons of ash residue from the WTE facility to an out of county landfill.

The Transfer Operations team also assists the other departments within the Agency. Transfer workers always work with the recycling department on Household Hazardous Waste Day activities, Earth Day programs, the annual book and battery recycling programs, Computer and TV recycling collections, and routinely provide maintenance support for the equipment and trucks operated by the Recycling team in conjunction with compost site and battery collection operations. ♦

Workers Compensation Injury History



Waste to Energy

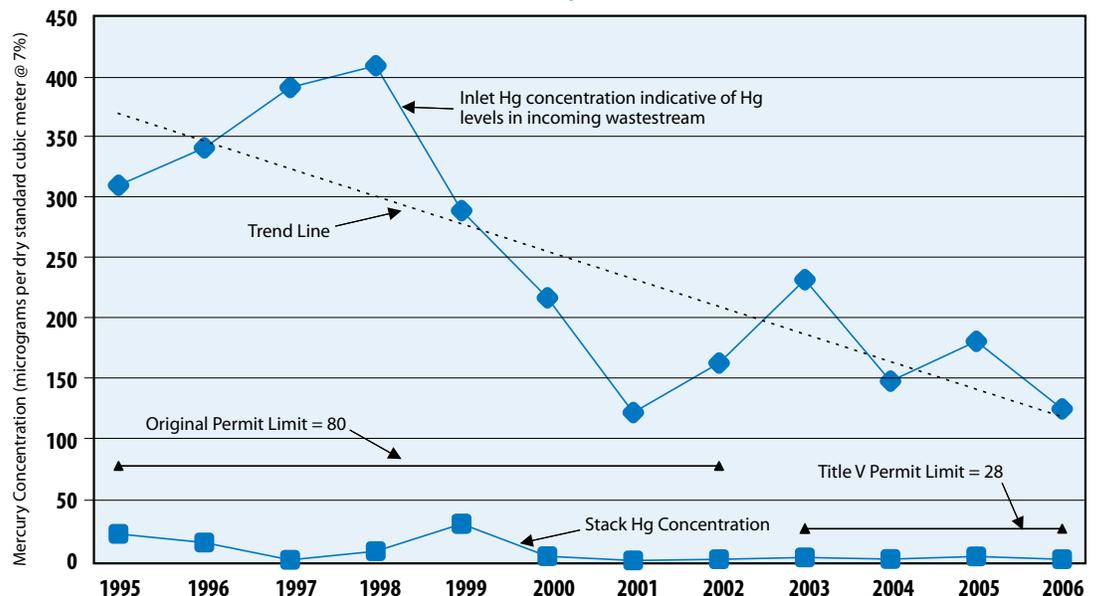
Success can sometimes be best measured in terms of numbers: 351,000 tons of non-hazardous, non-recyclable discarded solid waste converted into 230,000,000 kilowatt hours (kWh) of electricity satisfying the needs of 25,000 homes, avoidance of 420,000 tons of greenhouse gases (carbon dioxide equivalents as calculated by the Department of Environmental Conservation), and 425,000 barrels of oil (equivalent) saved. After 12 full years in operation, the Waste To Energy Facility continues to exceed all expectations and stands as a model of an environmentally-sound and fiscally-responsible operation. It is one of the critical components of a solid waste management system that continues to be considered one of the nation's best.

2006 was a very good year for the Waste To Energy Facility. The energy production rate was at an all-time high while unscheduled downtime (in terms of boiler outages) was at an all-time low. These operational factors

indicate a well operated and maintained facility. This is the opinion rendered by an outside consulting firm well versed in Waste To Energy Facilities. The plant, which came on-line in early 1995, continues to be maintained at levels consistent with high industry standards. In addition, the principal regulatory agency overseeing the facility, the New York State Department of Environmental Conservation, during its annual site inspection, found no non-compliance issues or environmental concerns.

And for the 13th consecutive year, the exemplary plant performance was accomplished while the facility maintained full compliance with one of the most stringent environmental permits of any Waste To Energy plant in the country. In fact, many of the monitored emissions measured during the facility's required annual stack testing were less than their respective 12-year average, and continued to be observed at levels far below those associated with the facility's Health Risk Assessment.

Measured Mercury Concentrations



Of significance are the results of the annual air emissions and ash residue testing shown in the tables and graphs presented herein. The levels of mercury in the incoming waste stream continue to exhibit a downward trend as more mercury is being taken out of the waste stream through recycling and special programs targeting products which contain mercury. The effectiveness in the facility's mercury air pollution control system, accomplished through the injection of activated carbon, continues to exhibit high removal rates, 98 to 99%, or better.

The levels of dioxins and furans, a family of pollutants always mustering a great deal of media and public attention, continue to be measured in stack emissions as essentially non-existent. Based on annual stack data, it

is estimated that the total amount of dioxins/furans (toxic equivalents basis) emitted from the facility's stack over an entire calendar year is 1/20 of the weight of a standard paper clip. That's a very minute amount!

With the excellent environmental and operating performance track records coupled with one of the highest nationwide overall recycling rates, OCRRA provides the local community with viable, fiscally-sound and environmentally responsible waste management services for the present and the future. Along with its highly successful recycling programs and the continued performance of its waste-to-energy facility, the Agency's vision of being recognized by 2010 as a world leader in local waste disposal and recycling solutions is being realized. 

2006 Ash Residue Characterization Test Results

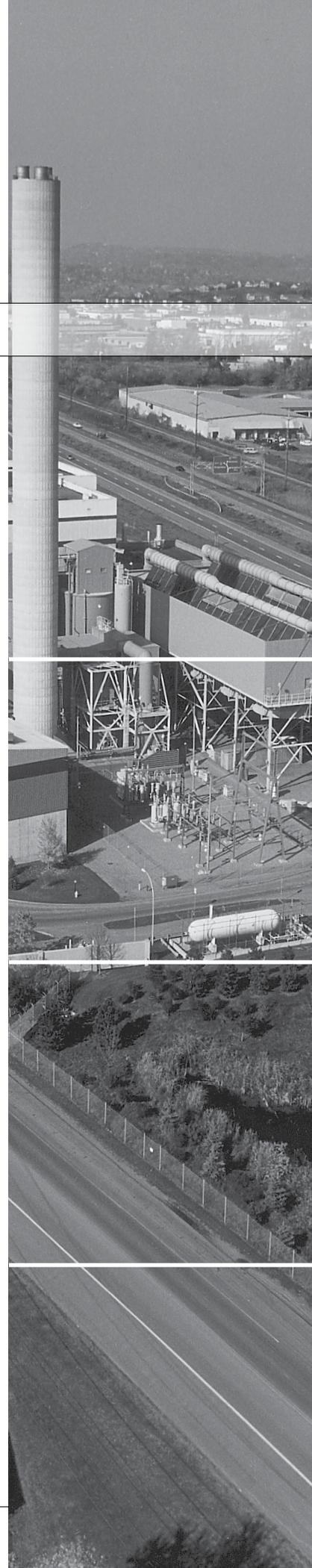
OCRRA Ash Residue Characterization Semi-Annual Test Results — April 2006

<u>Test Sample Constituent</u>	<u>Test Result (milligrams per liter)</u>	<u>Permit Limit</u>	<u>Pass or Fail</u>
Cadmium	0.05	1.0	Pass
Lead	0.25	5.0	Pass

OCRRA Ash Residue Characterization Semi-Annual Test Results — August 2006

<u>Test Sample Constituent</u>	<u>Test Result (milligrams per liter)</u>	<u>Permit Limit</u>	<u>Pass or Fail</u>
Cadmium	0.38	1.0	Pass
Lead	0.57	5.0	Pass

Ash residue does not exhibit a hazardous characteristic thus allowing it to be managed as a non-hazardous solid waste





Waste to Energy

2006 Annual Stack Test Results (Regulatory Title V Compliance)

Constituent	Average Measured Emissions			Permit Limit (1)	% of Limit (2)	Pass (P) Fail (F)
	Unit 1	Unit 2	Unit 3			
Particulates (gr/cf)	0.000852	0.000980	0.000958	0.01	9.3	P
Particulates (mg/dscm)	1.95	2.24	2.19	27	7.9	P
Sulfur Dioxide (ppm)	18.5	0.57	16.4	30	39.4	P
Sulfur Dioxide (lb/hr)	7.56	0.22	6.35	16.2	29.1	P
Nitrogen Oxides (ppm)	165	161	160	180	90.0	P
Nitrogen Oxides (lb/hr)	48.3	46.6	44.9	58	80.3	P
Carbon Monoxide (ppm)	3.6	5.7	4.3	45	10.1	P
Carbon Monoxide (lb/hr)	0.60	1.04	0.77	8.04	10.0	P
Polychlorinated Dibenzo-p-Dioxins and Furans						
(ng/cm) - Total	1.65	1.86	1.26	30	5.3	P
(ug/cm) - NY TEQs	0.0000329	0.0000275	0.0000121	0.0004	6.0	P
(lb/hr) - NY TEQs	4.79E-09	3.70E-09	1.85E-09	1.29E-07	2.7	P
Hydrogen Chloride (ppm)	4.88	4.89	5.92	25	20.9	P
Hydrogen Chloride (lb/hr)	1.10	1.12	1.38	5.24	22.9	P
HCl Removal Efficiency (%)	99.2	99.0	99.0	95 (min)		P
Ammonia (ppm)	0.86	1.09	0.65	50	1.7	P
Ammonia (lb/hr)	0.09	0.12	0.07	4.88	1.9	P
Cadmium (mg/cm)	0.00044	0.00043	0.00041	0.04	1.1	P
Cadmium (lb/hr)	6.47E-05	6.41E-05	6.46E-05	1.90E-03	3.4	P
Lead (mg/cm)	0.00637	0.00377	0.00410	0.44	1.1	P
Lead (lb/hr)	9.43E-04	5.57E-04	6.45E-04	3.81E-02	1.9	P
Mercury (ug/cm)	1.90	4.63	1.65	28	9.7	P
Mercury (lb/hr)	0.000280	0.000682	0.000257	0.012	3.4	P
Mercury Removal Efficiency (%)	97.7	98.2	98.2	85 (min)		P
PM-10 (gr/cf)N	0.000852	0.000980	0.000958	0.01	9.3	P
PM-10 (lb/hr)N	0.26	0.33	0.32	3.16	9.6	P

Stack testing conducted May 8-11, 2006

NOTES:

- (1) Facility Permit limits as established by the New York State Department of Environmental Conservation U.S.E.P.A. Title V Permit Number 7-3142-00028/00009, issued 1/8/2002, as modified effective 3/24/2003 Values obtained from Air Emissions Test Report submitted by Covanta Onondaga
- (2) Calculated as the average of each of three unit test results (each unit test result is average of three replicate test runs per unit) over the Permit Limit expressed as a percent

All concentrations expressed at 7% oxygen (O₂) dry standard volume

UNITS:

gr/cf = pollutant concentration expressed in grains per cubic foot

ppm = pollutant concentration expressed in parts per million

lb/hr = pollutant emission rate expressed in pounds per hour

ng/cm = pollutant concentration expressed in nanograms (billionth's of a gram) per cubic meter

ug/cm = pollutant concentration expressed in micrograms (millionth's of a gram) per cubic meter

mg/cm = pollutant concentration expressed in milligrams (thousandth's of a gram) per cubic meter

Pass/Fail = pollutant stack test result measured at levels below (Pass) or above (Fail) regulatory limit

min = minimum percent (%) reduction between pre-air pollution control (APC) system and post-APC system or pollutant levels leaving Facility stack (represents measure of APC effectiveness)

TEQ = NYSDEC Toxic Equivalency Factor (toxicity of various dioxins/furans expressed on common basis)

N = Separate PM-10 testing not performed; PM-10 levels assumed to be 100% of Total Particulate

Independent Auditor's Report

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

We have audited the accompanying financial statements of Onondaga County Resource Recovery Agency (the "Agency") as of and for the years ended December 31, 2006 and 2005 as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying statements of net assets and the related statements of revenue, expenses and changes in net assets, and cash flows present fairly, in all material respects, the financial position of Onondaga County Resource Recovery Agency at December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 7 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Jestone, Marshall & Discenza LLP

February 15, 2007
Syracuse, New York

Management's Discussion and Analysis

This discussion and analysis of the Agency's financial performance is designed to be read in conjunction with its financial statements and accompanying notes.

HIGHLIGHTS

Financial Highlights

- » During 2006 operating revenues decreased 3.2% from the previous year due to stabilized energy revenues in 2006 compared to post Katrina revenue spikes in 2005.
- » During 2005 operating revenues increased 2.6% over the previous year.
- » During 2006 net assets increased by 9.2%.
- » During 2005 net assets increased by 9.5%.

Agency Highlights

- » Continued commitment to safety awareness and training resulted in a decrease of 19 lost workdays in 2006 in comparison to 2005. Total workdays lost to accident or workplace injury was just 1 in 2006, the lowest in OCRRA's history.
- » The OCRRA Board and management continued in 2006 to develop a comprehensive, positive, and proactive position to meet or exceed the New York State standards outlined in the Public Authorities Act of 2005. New initiatives included the development of a Governance Committee (a committee of the whole) and Governance Guidelines. Also, the Board created direct reporting responsibility for the internal auditor to the Audit Committee.
- » OCRRA and the International Union of Operating Engineers Local 545C reached full agreement on a collective bargaining agreement. Labor and Management relations remain positive and cooperative and the execution of the Agreement covering the period January 1, 2006, through December 31, 2009, provides a foundation for this to continue well into the future. In a somewhat related Human Resource measure, overall employee turnover at OCRRA remains low; in 2006 it was 5.9%, up slightly from 4.4% in 2005.
- » Five-year contracts signed by contracted Haulers and Municipalities relating to delivery of all municipal solid waste to the Agency system through 2010 continue to be mutually advantageous to OCRRA and these important customers
- » Use of ash from the Waste-to-Energy facility as comparable structural fill for landfill closure at Seneca Meadows Landfill (the ash disposal landfill) expired at the end of 2005 resulting in observable increases in contracted disposal costs from 2005 to 2006.
- » Energy revenues in 2005 were higher than budgeted or anticipated due to the continuing impact of Hurricane Katrina on the energy markets. OCRRA received slightly more than six cents per kilowatt hour for its power in 2005. For 2006, OCRRA received six cents per kilowatt hour for energy.

USING THIS ANNUAL REPORT

Required Financial Statements

The Financial Statements of the Agency report information about the Agency using accounting methods similar to those used by private sector entities. They offer short and long-term financial information about our activities. The Statement of Net Assets includes all of the Agency's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the Agency and assessing its liquidity and financial flexibility. All revenues and expenses are accounted for in the Statement of Revenues, Expenses and Change in Net Assets. This statement measures the results of the Agency's operations over the past year and can be used to determine whether the Agency has successfully recovered all its costs through its fees, charges and other revenues. The final required financial statement is the Statement of Cash

Flows. The primary purpose of this statement is to provide information about the Agency's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and noncapital financing activities and provides answers to where cash comes from, where it was used and the change in cash balances during the reporting period.

This annual report consists of two parts: Management's Discussion and Analysis and Financial Statements. The Notes to the Financial Statements explain in more detail some of the information in the financial statements.

ANALYSIS OF FINANCIAL POSITION

One of the most important questions asked about the Agency's finances is "Is the Agency, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Agency's activities in a way that will help answer this question. These two statements report the net assets of the Agency and changes in them. You can think of the Agency's net assets - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the Agency's net assets 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.

The Agency's total net assets increased from last year by \$2,364,514. The Agency's total net assets were \$28,149,509 and \$25,784,995 on December 31, 2006 and 2005, respectively.

Table 1

	<u>2006</u>	<u>2005</u>
Current assets	\$ 36,353,829	\$ 38,770,382
Assets limited as to use	8,287,372	8,442,282
Property, plant and equipment - net	7,991,535	6,891,860
Bond issuance costs - net of accumulated amortization	1,044,340	1,169,668
Facility lease - net of current portion	<u>83,082,760</u>	<u>87,763,634</u>
Total Assets	<u>136,759,836</u>	<u>143,037,826</u>
Current Liabilities	13,921,602	15,127,514
Long-term liabilities	<u>94,688,725</u>	<u>102,125,317</u>
Total Liabilities	108,610,327	117,252,831
Net Assets - Invested in Capital Assets	7,991,535	6,891,860
Unrestricted	11,870,602	10,450,853
Restricted	<u>8,287,372</u>	<u>8,442,282</u>
Total Net Assets	<u>\$ 28,149,509</u>	<u>\$ 25,784,995</u>

Management's Discussion and Analysis

Changes in the Agency's net assets can be determined by reviewing the following condensed Statement of Revenues, Expenses and Changes in Net Assets for the years 2006 and 2005.

Table 2

	<u>2006</u>	<u>2005</u>
Operating Revenues	\$ 34,274,000	\$ 35,400,072
Other Revenues	<u>6,523,086</u>	<u>5,808,803</u>
Total Revenues	<u>40,797,086</u>	<u>41,208,875</u>
Operating Expenses	34,998,698	35,245,806
Other Expenses	<u>3,433,874</u>	<u>3,726,250</u>
Total Expenses	<u>38,432,572</u>	<u>38,972,056</u>
Change in Net Assets	2,364,514	2,236,819
Net Assets - Beginning of Year	<u>25,784,995</u>	<u>23,548,176</u>
Net Assets - End of Year	<u>\$ 28,149,509</u>	<u>\$ 25,784,995</u>

The increase in the Agency's net assets in 2006 was due primarily to strong tonnage delivered to the system and excellent recycling markets combined with increased investment revenues due to higher interest rates.

THE AGENCY'S FUNDS

The Agency does not utilize Funds or Fund Accounting. The Agency maintains funds on deposit with a Trustee as required by contractual obligations entered into as part of the Agency restructuring as detailed in the financial statements. As of December 31, 2006, Agency funds held by the trustee of \$8,287,372 are recorded as Restricted under the Agency's Net Assets. These restricted assets decreased by \$154,910 during 2006 due to the Indenture of Trust agreement between the Agency and U.S. Bank National Association (the Trustee) that requires Agency operating surpluses to be maintained on deposit with the Trustee until any necessary payments are made on the Subordinate Bonds. Payment on the Subordinate Bonds as a result of 2006 operations will be made on May 1, 2007.

Budgetary Highlights

In 2006 the Agency had budgeted for a Subordinate Bond payment of approximately \$500,000 and an increase in net assets of \$158,000. The Agency ended the year ahead of budget for revenues and below budget for expenses resulting in a Subordinate Bond payment of \$2.0 million and an increase in net assets of over \$2.3 million.

Capital Assets

At the end of 2006 the Agency had \$8.0 million invested in capital assets consisting primarily of two transfer stations and various pieces of operating equipment. During 2006 Property, Plant & Equipment, net increased by \$1.1 million which reflects acquisitions of approximately \$1.9 million, retirements, and depreciation charges of approximately \$800,000.

Table 3

	<u>2006</u>	<u>2005</u>
Land	\$ 396,190	\$ 396,190
Landfill site	3,749,591	3,749,591
Landfill site costs	195,760	195,760
Landfill buildings and improvements	621,425	626,314
Buildings and improvements	1,480,766	1,716,307
Machinery and vehicles	6,157,536	5,891,981
Furniture and fixtures	89,950	104,496
Computer equipment	188,386	282,353
Land improvements	68,799	68,799
Construction in progress	<u>149,873</u>	<u>-</u>
Total property, plant and equipment	13,098,276	13,031,791
Less: Accumulated depreciation	<u>5,106,741</u>	<u>6,139,931</u>
Property, plant and equipment - net	<u>\$ 7,991,535</u>	<u>\$ 6,891,860</u>

Debt

During 2006 the Agency reduced outstanding senior lien revenue refunding bonds by \$6,015,000 and a net reduction on the subordinate debt of \$1,588,212.

The Agency will reduce Series 2003B bonds by \$2,024,265 based on the 2006 operating surplus as calculated and made part of the restructured debt and service agreement. The Agency will make this reduction during 2007.

The payment on the Series 2003B bonds is calculated annually based on operational income as defined under agreement with the bondholders. Many of the Agency expenditure categories, including payroll costs and fuel are capped based on 2003 levels adjusted for inflation. While Agency expenditures are allowed to exceed these caps the Agency is not allowed to deduct these excess operating expenses when calculating the payment due.

Direct Finance Lease

In December 1992 the Agency issued Project Revenue Bonds for the purpose of constructing a waste-to-energy facility. The Agency leased the facility to Covanta Onondaga L.P. under a long-term lease expiring May 1, 2015. The annual lease payments approximate debt service payments and Covanta Onondaga L.P. is responsible for paying debt service on the bonds in lieu of making payments on the lease. Notes 5 and 6 to the Financial Statements should be read carefully for a full understanding of the Direct Finance Lease and its relationship to the series 2003A and 2003B Bonds.

The Direct Finance Lease is captured in the Capital Waste-to Energy operations cost of approximately \$23,391,000, including a Capital Charge of approximately \$11,521,300 representing the portion of the Direct Finance Lease attributable to debt service principal and interest on the Series 2003A & B Bonds in 2006.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The industry in which OCRRA operates is highly regulated and highly competitive. The 2003 restructured debt and service agreement for the operation of the Waste-to-Energy facility gave the Agency a better platform to successfully operate in this economic sector while still providing its important environmental benefits.

Management's Discussion and Analysis

The 2007 Budget develops the revenue and expense requirements to continue OCRRA's efforts to provide sound environmental solid waste disposal solutions to our community. Next year's budget communicates several critical themes:

1. Environmental Stewardship is Central to OCRRA's Mission

The annual cost of protecting the environment and public health as measured in our 2007 Budget would be dwarfed by the costs of cleanups or illness if the infrastructure of the Onondaga County trash system reverted to the system in place before OCRRA. To further improve upon its environmental education program in 2007, OCRRA has contracted with an advertising agency to provide market research and media materials to better educate the community on recycling and waste reduction.

2. Retaining System Trash Tonnage

The Budget for 2007 is built on the continuation of important business relationships with our core customers: the thirty-three member municipalities in the OCRRA system and the haulers who have contracted to deliver trash and recyclables from these municipalities. OCRRA must remain cost competitive with landfill disposal charges and may utilize alternate tools such as contracts, local laws, or user fees to retain revenues. In 2007, OCRRA will reduce fees for construction and demolition debris disposal and slightly increase fees for municipal solid waste disposal in order to meet its financial needs, yet remain sensitive to customer needs. OCRRA's customer service remains critically important to obtaining all system goals, both financial and environmental.

3. Financial Stability

OCRRA's values place cost effectiveness and fiscal responsibility at its very core. The 2007 Budget reflects the Agency's continued financial stability. Although net operating income was negative in 2006, as a result of 2006 non-operating revenue (primarily interest earnings) net assets increased by \$2,364,514. It is anticipated in the 2007 Budget that OCRRA will perform with similar operating and net results in the coming year.

4. Investment in Human Resources

Approximately twenty-five percent of OCRRA's workforce will be eligible for retirement over the next five years. For 2007, additional investment and effort is being placed on the training and development to build the skills and leadership necessary to fill those potential future vacancies.

5. Investment in Real Estate

OCRRA's Board of Directors has determined that improvement and rehabilitation of its existing real estate holdings is critical to OCRRA's sustained success. In 2007, OCRRA's Capital Plan includes \$290,000 of investment in the Ley Creek Transfer Station structure. The Five-Year Capital Plan adopted by the Board anticipates a further \$241,000 of investment in the Ley Creek building through 2011.

OCRRA's Rock Cut Road Transfer Station is earmarked for \$220,000 of building improvement in 2007. An additional \$150,000 of investment is anticipated in the Rock Cut Road Transfer Station in the Five-Year Capital Plan.

Beginning in 2007, OCRRA is also anticipating significant investment in the Amboy Compost Site. The Five-Year Capital Plan anticipates \$628,000 in investment on this real estate through 2009.

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 the Agency's Public Information Officer at 100 Elwood Davis Road, North Syracuse, NY 13212-4312.

Statement of Net Assets

ASSETS

	<u>2006</u>	<u>2005</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 24,238,061	\$ 23,298,365
Accounts receivable (net of an allowance for bad debts of \$50,000 in 2006 and 2005)	3,393,377	5,555,743
Prepaid expenses and other receivables	373,126	235,777
Facility lease, current portion (NOTE 5)	<u>8,349,265</u>	<u>9,680,497</u>
Total current assets	<u>36,353,829</u>	<u>38,770,382</u>
ASSETS LIMITED AS TO USE:		
Investments held by trustee under indenture (NOTE 3)	8,287,372	8,442,282
PROPERTY, PLANT AND EQUIPMENT, net (NOTE 4)	7,991,535	6,891,860
BOND ISSUANCE COSTS, net (NOTE 1)	1,044,340	1,169,668
FACILITY LEASE, net of current portion (NOTE 5)	<u>83,082,760</u>	<u>87,763,634</u>
 TOTAL	 <u>\$136,759,836</u>	 <u>\$143,037,826</u>

LIABILITIES AND NET ASSETS

	<u>2006</u>	<u>2005</u>
CURRENT LIABILITIES:		
Bonds payable - Series A, current portion (NOTE 6)	\$6,325,000	\$6,015,000
Bonds payable - Series B, current portion (NOTE 6)	2,024,265	3,665,497
Deferred revenue, current portion	1,164,612	1,164,612
Accounts payable	3,597,311	3,416,266
Accrued interest	542,916	593,042
Accrued expenses and other current liabilities	<u>267,498</u>	<u>273,097</u>
Total current liabilities	13,921,602	15,127,514
LONG-TERM LIABILITIES:		
Bonds payable - Series A, net of current portion (NOTE 6)	58,825,000	65,150,000
Bonds payable - Series B, net of current portion (NOTE 6)	27,323,235	27,270,215
Deferred revenue, net of current portion	<u>8,540,490</u>	<u>9,705,102</u>
Total liabilities	<u>108,610,327</u>	<u>117,252,831</u>
NET ASSETS:		
Invested in capital assets	7,991,535	6,891,860
Unrestricted	11,870,602	10,450,853
Restricted	<u>8,287,372</u>	<u>8,442,282</u>
Total net assets	<u>28,149,509</u>	<u>25,784,995</u>
 TOTAL	 <u>\$136,759,836</u>	 <u>\$143,037,826</u>

Statement of Net Assets

REVENUES, EXPENSES & CHANGES IN NET ASSETS

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
Tipping fees	\$ 19,888,890	\$ 19,821,571
Electric revenue	12,431,673	14,094,762
Grant revenue	563,272	351,309
Other	<u>1,390,165</u>	<u>1,132,430</u>
Total operating revenues	<u>34,274,000</u>	<u>35,400,072</u>
OPERATING EXPENSES:		
Personal services	4,409,727	4,249,696
Contractual services:		
Landfill contracts	3,090,326	2,442,865
Other contractual services	299,671	467,875
Materials and supplies	550,027	418,708
Professional fees	133,017	96,620
Recycling and composting	442,257	410,919
Hazardous waste disposal	227,713	170,127
Repairs and maintenance	126,030	196,854
Utilities	122,193	120,659
Insurance	232,830	266,319
Operating leases	96,038	58,495
Depreciation and amortization	895,540	690,151
Taxes and other payments to Host Communities	318,199	311,291
Other	664,081	707,262
Waste-to-Energy operations cost (NOTE 5)	<u>23,391,049</u>	<u>24,637,965</u>
Total operating expenses	<u>34,998,698</u>	<u>35,245,806</u>
OPERATING INCOME (LOSS)	<u>(724,698)</u>	<u>154,266</u>
OTHER REVENUE (EXPENSE):		
Interest income - cash and repurchase agreements	433,225	285,279
Interest income - nonsystem	1,104,044	632,662
Interest income - lease receivable	3,433,874	3,726,250
Interest expense	(3,433,874)	(3,726,250)
Gain on sale of machinery and equipment	387,331	-
Gain on refunding of long-term debt	<u>1,164,612</u>	<u>1,164,612</u>
Other revenue - net	<u>3,089,212</u>	<u>2,082,553</u>
INCREASE IN NET ASSETS	2,364,514	2,236,819
NET ASSETS - BEGINNING OF YEAR	<u>25,784,995</u>	<u>23,548,176</u>
NET ASSETS - END OF YEAR	<u>\$ 28,149,509</u>	<u>\$ 25,784,995</u>

Statement of Cash Flows

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2006</u>	<u>2005</u>
Receipts from tipping fees	\$ 19,921,489	\$ 19,608,506
Receipts from electric revenue	14,530,557	12,188,058
Other operating receipts	1,984,322	1,483,739
Payments to vendors and suppliers	(6,025,858)	(5,052,741)
Payments to employees	(3,598,974)	(3,429,056)
Payments for Waste-to-Energy (WTE) Operations	(11,869,741)	(11,470,366)
Payments for insurance and employee benefits	<u>(1,049,182)</u>	<u>(1,048,450)</u>
Net cash provided by operating activities	<u>13,892,613</u>	<u>12,279,690</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments on bonds outstanding	(9,678,540)	(9,235,356)
Proceeds from the sale of machinery and equipment	387,331	-
Purchase of property, plant and equipment	(1,869,887)	(660,613)
Payments for interest on bonds outstanding	<u>(3,484,000)</u>	<u>(3,774,000)</u>
Net cash utilized in capital and related financing activities	<u>(14,645,096)</u>	<u>(13,669,969)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in investments	154,910	(40,603)
Proceeds from interest on invested funds	<u>1,537,269</u>	<u>917,941</u>
Net cash provided by capital and related financing activities	<u>1,692,179</u>	<u>877,338</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	939,696	(512,941)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>23,298,365</u>	<u>23,811,306</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 24,238,061</u>	<u>\$ 23,298,365</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	<u>(\$724,698)</u>	<u>\$154,266</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	895,540	690,151
Provision for bad debt expense	50,000	25,000
WTE operations used to reduce lease costs	11,521,308	13,167,599
Changes in operating assets and liabilities:		
Accounts receivable	2,162,492	(2,144,769)
Prepaid expenses and other current assets	(137,349)	204,394
Accounts payable and accrued expenses	<u>125,320</u>	<u>183,049</u>
Total adjustments	<u>14,617,311</u>	<u>12,125,424</u>
Net cash provided by operating activities	<u>\$ 13,892,613</u>	<u>\$ 12,279,690</u>

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:

The Agency recognized a gain of \$1,164,612 in 2006 and 2005 related to the deferred gain on refunding of long-term debt.

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The Onondaga County Resource Recovery Agency (the "Agency") was statutorily created in 1981 as a public benefit corporation under New York State law. The Agency's purpose was to implement the County's multi-faceted solid waste management plan. The Agency began active operations in 1990.

Under an agreement between the Agency and the County of Onondaga, the Agency 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 the Agency's operations service only the thirty-three participating municipalities in Onondaga County.

Measurement Focus and Basis of Accounting

The Agency 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 assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net assets.

The Agency 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 Agency's policy is not to apply the provisions of Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

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 or revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Statutes authorize the Agency 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 the Agency's name, or U.S. Government and/or federal agency securities held by the Trustee.

Cash and cash equivalents at December 31, 2006 and 2005 includes \$2,764,500 and \$3,152,000 respectively designated by the Board of Directors for the Agency's five-year solid waste disposal capital asset plan.

Accounts Receivables

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

Investments

Investments, which consist of United States Treasury Bills and certificates of deposit, are stated at cost, which approximates fair value.

Bond Issuance Costs

Bond issuance costs are amortized on a straight-line basis over the term of the related debt. Accumulated amortization at December 31, 2006 and 2005 amounted to \$407,315 and \$281,987, respectively.

Property, Plant and Equipment

Property, plant and equipment over \$5,000 are 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.

Operating and Revenues

Operating revenues are fees generated from the disposal of solid waste as opposed to investing activities which are classified as other revenue.

Deferred Revenue

In connection with the Agency's current refunding of its debt (see note 6), the facility lease was modified (see note 5) resulting in a gain of approximately \$13,450,000. This gain has been deferred and will be reflected in revenue over the term of the lease.

Assets Limited as to Use

Assets limited as to use represent funds restricted as to use under the Agency's Revenue Bond Agreements. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Net Assets

Equity is classified as net assets and displayed in three components:

- a. Invested 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 assets - net assets with constraints placed on the 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.
- c. Unrestricted net assets - all other assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

Landfill and Related Costs

The Agency 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, the Agency transports the ash from the Waste-to-Energy Facility and other non-recyclable waste that cannot be processed at the facility to the Seneca Meadows Landfill, near Waterloo, New York under a long-term contract. 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 4). Engineering and consulting fees related to siting, environmental studies and permitting of the Landfill are capitalized. According to Governmental Accounting Standards Board Statement

Notes to Financial Statements

No. 18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs, should the Agency decide to transport waste to the Landfill, the Agency 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, 2006 there has been no waste delivered to the Landfill.

Federal Income Taxes

The Agency is exempt from federal income taxes under Internal Revenue Service Code Section 115.

Concentration

A single hauler delivered approximately 25% of the municipal solid waste to the System during the year ended December 31, 2006.

Environmental and Regulatory Risk

The Agency operates in an environmentally sensitive industry and is subject to extensive federal, state and local 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 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.

2. OPERATING CONSIDERATIONS

In 1994 the U.S. Supreme Court in the Carbone case found that a local government could not direct solid waste to a private transfer station. The Second Circuit Court of Appeals in N.Y.C. (one level below U.S. Supreme Court in the Federal Court System) in 2001 found that the Carbone case was not directly applicable to a local flow control law directing waste to a public facility (rather than a private facility as in Carbone) as long as there was an adequate showing of a "proper local governmental purpose". The "proper local purpose" can be shown by establishing the recipient system's environmental benefits. The July 2001, Federal Second Circuit Court of Appeals in New York City in that case of United Haulers vs. Oneida-Herkimer Solid Waste Management Authority, ruled that a County-wide flow control law that directs waste to a public facility was not unconstitutional under the Commerce Clause, provided a proper local purpose could be shown.

On February 3, 2003, Onondaga County adopted a local law similar to Oneida-Herkimer's that was intended to meet all of the criteria necessary to withstand any constitutional challenge within the parameters set forth in the aforementioned Second Circuit's United Haulers vs. Oneida-Herkimer Solid Waste Management Authority decision. The County local law has not been enforced nor has it been challenged to date. The U.S. Supreme Court subsequently granted an appeal to United Haulers in this important case. The oral argument in the Supreme Court occurred on January 8, 2007. A decision is expected in the April/May 2007 time frame. The Agency submitted an amicus (friend of court) brief in the case that was prepared by the law firm of Winston and Strawn. Our brief argued that Oneida-Herkimer's arrangement was a proper use of local police powers. This concept was subsequently referenced by several Justices of the Supreme Court during the oral argument. The ruling in the Oneida-Herkimer case will likely have an impact on the legal validity of Onondaga County's 2003 local law, providing a basis to sustain it or requiring its modification or rescission depending on the specifics of the expected Supreme Court decision.

3. 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 6). The use of the assets held by trustee includes the following funds at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Funds to pay principal, interest and sinking fund payments on the Senior Lien Revenue Refunding Bonds (2003A Series) to the extent that funds are not otherwise available in other designated funds.	\$ 2,114,775	\$ 1,815,938
Funds accumulated from system revenues to pay for debt service obligations of the Subordinate Lien Revenue Refunding Bonds (2003B Series).	1,803,662	3,665,497
Accumulation of earnings from system revenues to satisfy general Agency obligations.	<u>4,368,935</u>	<u>2,960,847</u>
Total	<u>\$ 8,287,372</u>	<u>\$ 8,442,282</u>

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment activity for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land	\$ 396,190	\$ -	\$ -	\$ 396,190
Landfill site	3,749,591	-	-	3,749,591
Landfill site costs	195,760	-	-	195,760
Landfill buildings & improvements	626,314	-	4,889	621,425
Buildings and improvements	1,716,307	-	235,541	1,480,766
Machinery and vehicles	5,891,981	1,712,107	1,446,552	6,157,536
Furniture and fixtures	104,496	-	14,546	89,950
Computer equipment	282,353	11,763	105,730	188,386
Land improvements	68,799	-	-	68,799
Construction in progress	-	<u>149,873</u>	-	<u>149,873</u>
Total property, plant and equipment	13,031,791	1,873,743	1,807,258	13,098,276
Less: Accumulated depreciation	<u>6,139,931</u>	<u>770,212</u>	<u>1,803,402</u>	<u>5,106,741</u>
Property, plant and equipment - net	<u>\$6,891,860</u>	<u>\$1,103,531</u>	<u>\$ 3,856</u>	<u>\$7,991,535</u>

Notes to Financial Statements

5. FACILITY LEASE AND SERVICE AGREEMENT

In December 1992, the Agency 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. The Agency leased the Facility and equipment to the Partnership under a long-term lease expiring May 1, 2015 with the Partnership having the option to purchase the Facility for \$1.

In October 2003, the Agency and the Partnership negotiated new lease and service agreements as part of the Agency's debt restructuring (see Note 6). The duration of the agreements remains unchanged, expiring May 2015.

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 the Agency to the Facility.

All revenues of the Facility, which include rates, fees, charges and other realized income received by the Agency from or for 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. The Partnership is also entitled to 10% of the net revenues received from the sale of electricity and 50% of the net revenues received from the sale of recovered materials during the lease period. Pursuant to the Master Bond Resolution, such amounts will provide for monthly payment of the Service Fee related to the Facility. As the Partnership is responsible for paying debt service on the 2003A Bonds in lieu of making payments on its lease receivable, a portion of the actual cash payment is held by the Trustee for satisfaction of the principal and interest on the 2003A Bonds. Obligations to the 2003B bondholders as a result of operations, as defined in Note 6, will also be paid from the funds held by the Trustee on May 1 of the following year.

According to the terms of the service agreement, if the service agreement is terminated by the Agency as a result of an event of default by the Partnership, the Partnership is required to pay the Agency \$1,000,000 plus the lesser of the Agency's actual damages arising from the Event of Default and Termination of the Agreement and the Maximum Liability Cap on the date of termination.

The Agency's obligation is unconditional and requires payment by the Agency if there is no waste delivered; the Agency remains responsible for debt service until the Bonds are repaid.

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

Calculations of payments under the service agreement are based on an assumed delivery of 310,000 tons of waste per year. If less is delivered, the Agency must reimburse the Partnership the shortfall in its share of the electric revenue. For delivery in excess of that amount, the Agency will pay an additional waste processing fee.

The waste-to-energy operations cost is composed of the following:

	<u>2006</u>	<u>2005</u>
Operating and pass through costs	\$ 11,048,327	\$ 10,792,585
Additional waste processing fee	821,414	677,781
Capital charge	<u>11,521,308</u>	<u>13,167,599</u>
Total	<u>\$ 23,391,049</u>	<u>\$ 24,637,965</u>

Future minimum annual lease payments due from the Partnership are as follows at December 31, 2006:

<u>YEAR ENDING DECEMBER 31,</u>	<u>AMOUNT</u>
2007	\$ 11,815,140
2008	9,790,750
2009	9,789,375
2010	9,786,000
2011	9,789,875
Thereafter	<u>83,232,723</u>
Total future minimum lease payments	134,203,863
Unearned income	<u>42,771,838</u>
Net investment in lease	91,432,025
Current portion	<u>8,349,265</u>
Long-term portion	<u>\$ 83,082,760</u>

The payments due for the year ending December 31, 2007 include approximately \$2,024,000 required to be received pursuant to the satisfaction of the Series 2003B Bonds (see Note 6).

6. BONDS PAYABLE

On October 10, 2003, the Agency issued series 2003A Senior Lien Revenue Refunding Bonds totaling \$82,115,000 and series 2003B Subordinate Lien Revenue Refunding Bonds totaling \$30,000,000. The 2003A bonds bear interest at a rate of 5%. The 2003B bonds will be converted at their accreted value to current interest paying bonds in 2015. Prior to 2015 interest will accrue, but shall not be payable, at the rate of 7% on the 2003B bonds.

In order to secure the 2003A Bonds, the Agency has pledged all revenues of the system, which include all rates, fees, charges, and other realized income received by the Agency for the use of the solid waste system including facility revenues.

The 2003B Bonds are payable solely out of revenues and receipts, funds or monies derived by the Agency under the Lease Agreement and the indenture and from amounts otherwise available under the indenture for the payment of the series 2003B Bonds. At maturity, the Partnership is responsible for payment of the remaining balance of Subordinate Lien Revenue Bonds.

Notes to Financial Statements

In the event that the Agency's operations produce a surplus, a payment will be made on May 1 of the following year reducing the outstanding 2003B Bonds obligation. As per the Master Bond Resolution, the computation of the surplus will not include depreciation, amortization, or other revenue that is produced outside the Agency's normal operations.

Increase in net assets (surplus) prior to computation of current obligation on 2003B Bonds:	\$ 4,386,821
Add: Depreciation	770,212
Amortization	125,328
Deduct: Gain on Refunding	(1,164,612)
Interest income - non-system	(1,104,044)
Gain on sale of machinery and equipment	<u>(387,331)</u>
Contractually defined surplus	2,626,374
Series B Share	<u>77%</u>
Current Year Liability	2,022,308
Prior Year Liability	<u>1,957</u>
Bonds Payable – Series 2003B, current portion	<u>\$ 2,024,265</u>

The bond proceeds of \$112,115,000 were combined with assets limited as to use to pay off project revenue bonds of approximately \$123,900,000 issued by the Agency in 1992 and approximately \$1,450,000 in underwriting fees, insurance, and other issuance costs. As a result, the Agency recorded an economic gain (difference between the present values of the debt service payments on the old and new debt). The Agency recognized \$1,164,612 for the years ended December 31, 2006 and 2005.

Activity relative to Bond debt for the year ended December 31, 2006 was as follows:

	<u>Balance at Dec. 31, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at Dec. 31, 2006</u>
Senior Lien Revenue				
Refunding Bonds	\$ 71,165,000	\$ -	\$ 6,015,000	\$ 65,150,000
Subordinate Lien Revenue				
Refunding Bonds	<u>30,935,712</u>	<u>2,075,328</u>	<u>3,663,540</u>	<u>29,347,500</u>
Total	<u>\$ 102,100,712</u>	<u>\$ 2,075,328</u>	<u>\$ 9,678,540</u>	<u>\$ 94,497,500</u>

The Series 2003A Bonds maturing in 2006, 2010 and 2015, are subject to mandatory redemption in part by lot on May 1 annually from mandatory sinking fund installments which extend through 2015 as follows:

<u>YEAR ENDING DECEMBER 31,</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2007	\$ 3,465,875	\$ 6,325,000
2008	3,145,750	6,645,000
2009	2,809,375	6,980,000
2010	2,456,000	7,330,000
2011	2,084,875	7,705,000
2012-2015	4,094,000	30,165,000
Total	<u>\$ 18,055,875</u>	<u>\$ 65,150,000</u>

Covenants require the Agency 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 and therefore a market value is not readily available.

7. EMPLOYEE BENEFIT PLANS

Pension Plan

The Agency participates in the New York State and Local Employees' Retirement System (the "System"), which is a cost sharing, multiple public employer defined benefit plan. The System provides retirement benefits as well as death and disability benefits. Membership in and annual contributions to the System are required by the New York State Retirement and Social Security Law (NYSRSSL). The System offers a range of plans and benefits related to years of service and final average salary. All benefits generally vest after five years of credited service.

As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the control of the funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

All participating employers in the System are jointly and severally liable for any actuarial unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the System. The System is noncontributory except for employees who joined the Employees' Retirement System after July 26, 1976, who contribute 3% of their salary during the first 10 years of service. Employee contributions are deducted by employers from employees' paychecks and are sent currently to the Retirement System.

The Agency is required to contribute at an actuarially determined rate. The required contributions for the current and two preceding years were:

<u>YEAR ENDED DECEMBER 31</u>	<u>AMOUNT</u>
2006	\$ 309,072
2005	321,767
2004	343,514

Notes to Financial Statements

Post Retirement Benefits

In addition to providing pension benefits, the Agency provides certain health insurance benefits to certain retired employees hired before April 10, 2002 under a plan administered by the Agency. 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. At age 62 these employees may continue coverage until they become Medicare eligible by paying 25% of the coverage. Once these employees are eligible for Medicare they lose their coverage and receive payments equal to \$50 per month until their death. Total cost to the Agency of providing health insurance benefits to retirees during 2006 and 2005 was approximately \$33,500 and \$30,000, respectively. The cost of these benefits was expensed as paid.

Deferred Compensation Plan

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

8. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Agency leases equipment and office facilities under operating leases. Rental payments under these agreements were approximately \$87,688 and \$58,000 during 2006 and 2005, respectively. Obligations under all cancelable and noncancelable long-term operating leases are as follows at December 31, 2006:

<u>YEAR ENDING DECEMBER 31,</u>	<u>AMOUNT</u>
2007	\$ 81,504
2008	81,504
2009	81,504
2010	81,504
2011	2,688
Total	<u>\$ 328,704</u>

Landfill Contracts

The Agency has contracted with Seneca Meadows Landfill, Inc. at established rates for disposal services for incinerator ash residue and other system bypass wastes. The contract also includes disposal capacity for bypass and other solid waste to the Seneca Meadows Landfill ("Landfill"). Costs incurred under this agreement were \$3,007,736 and \$2,366,243 during 2006 and 2005, respectively. The Agency has extended the contract with Seneca Meadows Landfill through May 2011. The per ton incinerator ash residue disposal charge will range from \$21 to \$30, and the per ton solid waste/bypass solid waste disposal charge will range from \$31 to \$40, over the term of the extended contract.

Host Community Agreements

The Agency entered into a Host Community Agreement (the "Agreement") with the Town of Onondaga ("Onondaga") which defines each party's rights and obligations related to construction and operation of the waste-to-energy facility in Onondaga. The term of the agreement began in December 1992 upon commencement of construction of the waste-to-energy facility and continues for 25 years from that date. Annual payments to Onondaga under the terms of the Agreement total \$100,000 plus certain annual escalation costs.

The Agency entered into an Interim Host Community Agreement (the "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 Van Buren tax rate; in no case, shall such annual increase be greater than 2%, according to the interim agreement.

The Agency recorded PILOT's to Van Buren in the amount of \$44,880 and \$44,000 in 2006 and 2005, respectively. The Agency also made payments of approximately \$131,000 and \$132,000 in 2006 and 2005, for Fire District assessments. The Agency anticipates similar payments will be made in 2007.

Property Stabilization

Effective August 1997, the Agency 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 2006 and 2005, no such payments were made.

Litigation

The Agency is a party to various insured proceedings arising in the normal course of business. It is not likely that the outcome of the aforementioned proceedings will have a significant impact on the financial position of the Agency. The Agency's Defense Counsel continues to vigorously contest these proceedings.

Other

In 2005, a local developer proposed that the Onondaga County Industrial Development Authority acquire by eminent domain an assemblage of properties for a large economic development that included the Agency's Ley Creek Transfer Station. The Agency's Board believes its public purpose, to manage the Community's solid waste, surpasses the public uses inferred in the economic development proposal.

The developer has proposed to pay for the relocation and replacement of the Ley Creek Transfer Station as the project ultimately moves forward. At the close of calendar year 2006, the development remains inactive.

9. NATIONAL GRID AGREEMENT

The Agency and National Grid participate in an electricity purchase agreement. This contract provides that National Grid will purchase approximately 210,000,000 kwh per calendar year at a minimum of six cents per kilowatt hour through 2009, and at market rate thereafter. National Grid and the Agency have established the upper limit for the agreement at 243,000,000 kwh.



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E X C E L L E N C E I N S E R V I C E



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About the Cover: These are the faces of the folks who excel at customer service at OCRRA's two transfer station operations. No matter the weather, be it bitter cold or stifling heat, they're ready to serve while always sporting a winning smile. The Transfer Station Team takes pride in being a critical component of OCRRA's operations. Their customers cover the spectrum: residents with recyclables and trash, small contractors, municipalities, or large private haulers.