Onondaga County
Resource Recovery Agency

OCRRA 2004 Annual Report

Caring for the Environment

Our Mission:

The Onondaga County Resource Recovery Agency is supported by an experienced team of employees, integrating their diverse skills to manage our community's Solid Waste System in an efficient, safe, environmentally sound and cost-effective manner.

About the Cover

OCRRA's success is inextricably tied to our community's dedication to preserving and protecting the environment. Children learn early the values of recycling and proper waste disposal. OCRRA's many programs have been enthusiastically accepted by a community that knows it's easy to be green. This attitude is passed from generation to generation, be it at Household Hazardous Waste Day collections…Earth Day litter clean up….advocacy for expansion of New York's Bottle Deposit Bill…recycling confidential documents…or by our customer-friendly transfer station workers. As you thumb through our 2004 Annual Report, it is apparent that those who live in our community have not only embraced the programs we offer but have joined forces with us in accepting responsibility of being stewards of our environment.

Chairman's Report

OCRRA enjoyed one of its best years ever in 2004. Operations and recycling were outstanding in 2004. It was also a healthy financial year for the Agency. The wisdom of the refinancing in 2003 bore fruit in 2004 as the Agency operated with a small financial surplus for the first time in over five years. The savings realized in the restructuring agreement will amount to more than \$12 million and be spread over an $11^{1}/_{2}$ year period. Also reduced by more than \$470,000 during the last year was the base operating Service Fee paid to Covanta Energy, operators of the Waste To Energy Facility. There was another unanticipated savings when the operators of the Seneca Meadows Landfill sought to use OCRRA's ash as a structural fill for closure of an older portion of the landfill. The ash has always tested as a non-hazardous material and following approval by the New York State Department of Environmental Conservation this reuse created a win-win for OCRRA and Seneca Meadows.

All in all, this past year represented a significant turnaround in OCRRA's financial picture. As the accompanying auditor's report spells out in detail, operating revenues were up 4.5% while operating expenses were down 7.0% over the prior year. OCRRA is responsible for developing its own revenues from solid waste programs; it receives no tax support from local or state governments. It is safe to say that after years of coping with the shortfall between revenues and expenses, the turnaround has been completed.

Last year marked the 10th anniversary of the operation of the Waste To Energy Facility by Covanta Energy Corporation. Since its "first fire" in November of 1994, the Waste To Energy Facility has compiled an outstanding record of compliance with strict environmental limits while concurrently servicing the needs of the community. In 2004, it processed 354,000 tons of non-recyclable solid waste, approximately 98% of design capacity. The Facility continues to operate

Anthony Mangano
OCRRA Chair

safely and reliably with full adherence to the strict environmental limits placed on it by state and federal regulatory bodies.

Covanta emerged from bankruptcy in 2004 and was acquired in March by the Danielson Holding Corporation. With continued strong performances at other Covanta Waste To Energy Facilities, we can look forward optimistically that their financially troubled times are a thing of the past.

Recycling activities at OCRRA continue to be embraced by the entire community. Together with the community we recycled over 733,000 tons of material in 2004. With outstanding public support, many of our events, such as Household Hazardous Waste Collection, E-Waste Collection, and our book-recycling program have grown in both the number of users and tonnage collected. I urge you to glance over the recycling section of this Annual Report and you'll discover that the entire OCRRA team devoted countless hours to ensuring this recycling success.

There are those occasions at OCRRA when our recycling events have become such big hits that it presents us with new opportunities. Such was the case in the month of July during our third annual book-recycling program. An estimated 180,000 hardcover books and paperbacks were collected. It filled ten tractor-trailer rigs with unwanted books that were recycled into paper. Prior to 2002, paper mills shied away from accepting books because of the labor-intensive procedures required to remove the covers and bindings from the marginally recyclable paper. Our pilot project was launched with the development of a guillotine-type machine that expedited the process and made it cost effective. Books were no longer trashed, but recycled into other usable materials instead. The program has exploded in popularity as the number of books recycled quadrupled in just three years. Newspaper columnists and some members of the public wondered why the books were not reused rather than recycled. In an effort to improve an already successful event, OCRRA's Board and staff met with book lovers from a number of organizations to hear their suggestions and ideas about book recycling. We are providing the public with information on our web site and in our newsletter as part of our response to those calls to pass a book along to someone else. At this time, we don't have the qualified personnel or physical plants to sort and store 180,000 books, but the OCRRA Board is committed to helping coordinate and inform the public about other donation opportunities.

The OCRRA Board consists of citizen volunteers who devote hours of their personal time to improving OCRRA's programs. Successful in their own fields, they recognize the importance of maintaining a first rate solid waste management program for our community. During the course of the year, the terms of three of these public-spirited citizens expired. I personally want to thank former Board Chair Matthew Irish, Vice President of Irish Millar Construction Inc., bank executive Scott Lacik, and Dr. Elizabeth Liddy, the Director of the Center for Natural Language Processing at Syracuse University, for the contributions they made during their tenure on the Board. We are truly indebted to them for their support and input during the restructuring process, which consumed the better portion of their terms. As Board Chairman, I want to thank all the OCRRA team members for their continued dedication to detail and customer service. It is what makes this Agency something special.

Executive Director's Report

Tom Rhoads
Executive Director

The Syracuse University basketball team has enjoyed a winning tradition for years. In 2003, they capped off what's called March Madness by winning the National Collegiate Championship in men's basketball. It wasn't a fluke. The Orange have demonstrated over the years, the uncanny knack of being hugely successful even though there is a constant turnover in the team's make-up. They maintain one of the top collegiate basketball programs by working together as a team, each player executing his tasks to the best of his ability. They are focused on being a successful group, not individual stars. At OCRRA, the number of players on our team is much larger than the SU basketball squad. It's the entire community. Our achievements involve not only the Board and co-workers at OCRRA, but the businesses, schools, residents, and municipalities where we work, play, and live. OCRRA's achievements reflect our collective commitment to protecting the environment and preserving our natural resources. We are thankful for the great community support for our programs; success would never happen without this fundamental.

There were strong performances in all facets of OCRRA's operations during 2004. It marked the first full year operating under the debt restructuring plan and a newly amended Operating Agreement between OCRRA and Covanta Energy. As anticipated, these changes allowed OCRRA to meet all of its financial obligations without raiding its reserves. Total tonnage processed at the Waste To Energy Facility was 354,523 tons, which represented an increase of approximately 5,500 tons over the prior year. For the first year since the Ley Creek Transfer Station was converted primarily to a Construction and Demolition (C&D) recovery operation, tonnage crested above the 100-thousand ton mark. All this pales by comparison to the continuing exemplary effort businesses, schools, and residents have demonstrated to OCRRA's award winning recycling programs. When you add up all the tonnage that was recycled either under the mandatory program or through voluntary efforts, it amounts to more than 733,000 tons. Better than 66% of all the solid waste we toss away gets recycled. That's impressive.

Since the beginning, there has always been something new on OCRRA's Recycling Plate. During the early years, it was the annual addition of a mandatory recyclable item to the blue bin. OCRRA's recycling program started off looking for the largest quantity of material that was a marketable commodity, namely newspapers and other high-grade paper products. Also among the first blue bin items were the co-mingled discards such as glass, metal, and plastic containers. During the intervening years, OCRRA's approach to solid waste management has evolved into a series of programs where we ask the question: what's the best approach, environmentally, for handling these unwanted products? It's not a cookie cutter approach we've adopted over the years. Rather, it's specific to the items folks are looking to unload and the availability of markets.

When it became apparent that electronic waste, or E-Waste, was growing at an exponentially rapid rate that was sounding environmental alarm bells, OCRRA instituted a pilot program to handle unwanted household computers and their

accessories at no charge to the public. The attitude was let's try it and see if there's any interest. The response was overwhelming right from the start. That was in 2002. It was evident that residents of this community were hungry to find an outlet where old computer equipment would be recycled or at the very least receive safe disposal at an out-of-county facility. The pilot program became permanent and within a year old household television sets had been added for a nominal $5 fee. The Dell computer corporation recognized the program's excellence during 2004 when OCRRA's computer recycling effort was only one of a handful from Maine to Hawaii to receive a $10,000 grant. The removal of potentially harmful E-Waste was a natural outgrowth of OCRRA's Household Hazardous Waste Days, which have been part of the Agency's profile for fifteen years.

Identity theft gets your attention rather quickly. Concern over the mounting national problem, coupled with the Agency's drive to recycle more, was the impetus behind our first Shred-O-Rama. It targeted not only residents, but small businesses as well. With the cooperation of four major companies in the document destruction business, it attracted law firms, accountants, health professionals, and residents who wanted sensitive records shredded but recycled as well. This two-day event resulted in more than 30 tons of heretofore-confidential documents being recycled. Just two examples of how the recycling efforts have blossomed over the past decade and a half.

Shred-O-Rama was a huge success

The OCRRA team continues to emphasize customer service and the positive reaction is reflected in anonymous surveys that are collected during events such as Household Hazardous Waste Days and Home Computer Recycling drop offs. Safety on the job has always been a primary value at OCRRA. Last year was the best ever in OCRRA's history. All categories were in single digits. There were only two lost time accidents, six reported accidents, and the number of total days lost to injury was only five. Our Human Resources Department is constantly consulting with our management team to schedule updated and timely seminars related to workplace safety.

OCRRA has a strong working relationship with the public and private haulers that collect blue bin materials as well as non-recyclable solid waste. During 2005, we fully anticipate to negotiate another multi-year contract with the haulers. The current five year agreement has been beneficial to the haulers and the Agency. The 33 participating municipalities also realized significant savings with reduced tipping fees over that five-year period. With the debt restructuring now behind us, we can confidently look forward to providing vital public service at exceptionally reasonable rates for years to come.

All of this requires a dedicated team....a team that works long and hard to achieve the objectives of safe, environmentally correct disposal of trash and recyclables. With strong guidance from a conscientious and committed Board of Directors, the team takes great pride in the accomplishments it has achieved over the years. And 2004 was no exception.

Volunteer Board of Directors

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General Manager
Ramada Inn

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Audit Subcommittee Chair
President
Velasko Concepts, Inc.

Roger B. Eidt
OCRRA Board Vice Chair
Administration Committee Chair
Resident Construction Manager
Kvaerner-John Brown Inc.
(retired)

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Insurance Broker
Antelmi, Fusco, &
Cazzola

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OCRRA Board Treasurer
Operations Committee Chair
President
Rondaxe Pharma

Kim Albert Barber
Manager, Corporate
Environmental,
Health, & Safety Technology
Bristol-Myers Squibb Co.

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Recycling Committee Chair
Attorney at Law
Byrne, Costello, &
Pickard, P.C.

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State University of New York
Environmental Science
& Forestry

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City Clerk
City of Syracuse

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Fowler High School

Michael Dems
Business Representative
District Council #4
International Union of
Painters & Allied Trades

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RAM-Tech Engineers, P.C.

Earl Hall
Assistant Executive Director
Syracuse Builders' Exchange
Joining Board
March 2005

Robert Ripberger
Carrier Corporation
(retired)

Donald Hughes, P.E.
Environmental Consultant
Hughes Consulting Services

H. Larry Vozzo, Esq.
Senior Vice President &
General Counsel
Blasland, Bouck & Lee, Inc.

Leaving Board
March 2005

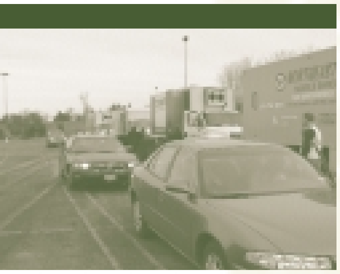
Recycling

Onondaga County residents are serious about maintaining their reputation as national leaders when it comes to recycling excellence. Working together through our mandatory recycling program at home, at work, and at school, our community recycled over 230,000 tons of materials in 2004, including newspapers, cardboard, and magazines, as well as glass, metal and plastic containers. It all adds up to an increase of over 12,500 tons of recyclable material removed from the waste stream, compared to 2003 totals.

When a host of voluntary recyclable materials from area businesses and municipal operations are added to the mix, the community recycled over 733,000 tons of material that would have otherwise required disposal.

OCRRA's van is constantly attending public venues to distribute recycling blue bins.

Truly, other than recycling, there are few other day-to-day civic oriented activities that bind us together as a community. All told, the community recycled 66% of the total waste stream generated in 2004. Since 1990, a staggering 8 million tons of material have been recycled within the county. If this material had required disposal, the costs would have exceeded $400 million.



Cars are positioned to unload personal papers at one of the four mobile shredding vehicles at OCRRA's first ever Shred-O-Rama.

For nearly 15 years, OCRRA and the community it serves have collaborated on a wide array of environmental programs to protect our environment and conserve natural resources. OCRRA's **Operation Separation™** program provides residents with numerous opportunities to practice an environmental ethic throughout the year. In 2004, OCRRA reached out to thousands of residents, businesses, and schools to enhance their existing

Clifton Recycling's John Venditti turned to OCRRA for help. The demand for colored mulch was so great that he was short on pallets and other clean wood to produce the mulch. OCRRA promoted an opportunity for businesses to have fees waived for dropping off unwanted pallets. The winners-gardeners looking for the end product which was a hot commodity, and, Clifton Recycling.

recycling efforts. During 2004, OCRRA's Operation Separation Program managed:

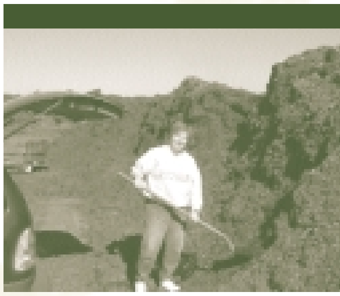
- Two yard waste compost sites that served over 35,000 visitors
- Three "Household Hazardous Waste" (HHW) collection days that removed thousands of pounds of pesticides, herbicides, automotive products, and other potentially hazardous materials from the waste stream for safe disposal.
- Quarterly "Household Computer and TV set" collection days, recycling over 270,000 pounds of outdated electronic equipment. Residents were invited to also drop off donations for the Food Bank of Central NY, resulting in the collection of several thousand pounds of non-perishable food items.
- A month-long collection of old,

Students at Webster elementary school plant a red maple tree after ceremonies honoring them as the Syracuse School that had the best recycling program. The Dr. Vonnell Mastri award was named in honor of the late Board member who was an ardent advocate of recycling.

unwanted hard cover and soft cover books during July.

- A mercury thermometer exchange program; OCRRA teamed up with Bristol Myers Squibb and the Onondaga County Department of Water Environment Protection to provide residents with over 500 non-mercury thermometers in exchange for their mercury thermometers. The mercury thermometers that were collected were then properly disposed as part of the Agency's household hazardous waste collection program. The mercury thermometer exchange helps prevent mercury contained in household thermometers from escaping into the environment when the thermometers are broken or thrown away.
- Our first annual "Shred-O-Rama." Four companies stationed their mobile shredding trucks at Shoppingtown Mall and shredded 60,000 pounds of household and small business confidential papers for recycling.
- A year-long collection of 100,000 pounds of household batteries through a network of convenient local drop off points, including curbside collection of household batteries in July
- OCRRA again coordinated the community's annual Earth Day clean up; over 6,000 volunteers collected 54 tons of litter, including over 1,000 tires. Since the program began, over one million pounds of litter have been collected by thousands of community volunteers and safely disposed by OCRRA. The Earth Day Litter Clean Up remains one of the largest single day community-wide service events in the area. The Agency was an active participant in 2004 in the county's Cleaner and Greener beautification effort.
- The Agency continued its distribution of over 2,000 gallons of recycled/reprocessed paint to local human service organizations, fire departments, parks, and municipalities. The year's final paint distribution event was held in November to coincide with America Recycles Day.
- OCRRA's recycling team were part of numerous area events and fairs, including the Golden Harvest Festival at Beaver Lake Nature Center, The Home and Garden Show, Regional Farmers Market, and the New York State Fair. A variety of information materials was distributed including several

Ron Boardway deposits a set of old encyclopedias that were part of this year's Book Recycling Month during July. More than 180,000 unwanted hardcover and paperbacks were dropped off to be recycled.



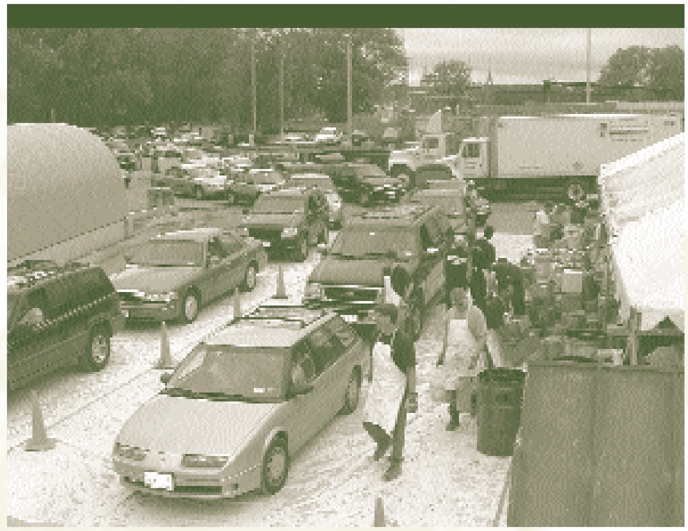
Mary Kay Garno of Fabius was just one of more than 35,000 visitors to one of two of OCRRA's compost sites. Users brought their yard waste and returned home with either compost or mulch for their trees, flowerbeds, or gardens.

The annual Earth Day litter clean up captured more than 54 tons of discarded trash, which filled thousands of bags. There was no disposal charge for the OCRRA-coordinated event, which attracted more than 6,000 volunteers.

Bitter cold, blazing heat, or heavy downpours. Weather conditions did not deter households from recycling more than 270,000 pounds of old electronic equipment.

thousand blue bins, recycling instructions, battery collection bags, household hazardous waste sign up, and compost site registration.

- OCRRA's recycling educator consultant, a New York certified teacher, spoke to 12,000 local students in 400 classes.
- OCRRA also administered special services and programs for businesses, schools, and apartment building managers and owners.



The Ley Creek Transfer Station is an ideal location for handling the heavy flow of traffic at the ever-popular household hazardous waste days. Vehicles rarely spend more than 10 minutes in line. Reservations are required and nearly all slots are filled weeks beforehand.

Other significant achievements in 2004 by our community's recycling agency:

- Obtained a $264,000 DEC grant to support the purchase of a variety of recycling container types for the community, including new blue bins, apartment recycling pails, hotel/motel recycling containers, and public venue recycling containers.
- Received a $10,000 grant from DELL computers to support computer/TV collection program; over 276,000 pounds of obsolete computers and old TVs recycled in 2004. Over 3,100 residents served.
- Received a $5,000 grant from U.S. EPA to promote public awareness of the Agency's household hazardous waste collection program within the City of Syracuse's urban and southwest neighborhoods.
- OCRRA was awarded a $321,250 grant from the New York State Department of Environmental Conservation to offset expenses incurred for OCRRA's Household Hazardous Waste Day collections for the years 2004 and 2005.

OCRRA honored Webster Elementary School in Syracuse with the 2004 Dr. Vonnell Mastri Recycling Award at a school assembly attended by County Executive Nick Pirro and a representative from the Mayor's office. A large

Businesses unload confidential documents into toters that are then hoisted into mobile shredders where they are diced into unreadable pieces and then recycled.

OCRRA's recycling team set a record number of calls during WIXT TV's 9 News In-Depth during the 90-minute newscast. Caller questions covered a multitude of recycling and disposal issues.

Workers from the Ley Creek Transfer Station pitch in to help unload household hazardous waste that will be transported by a private firm to an approved disposal facility.

red maple tree was planted on school grounds and an Earth Day flag was presented to the student body to commemorate their recycling accomplishments.

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

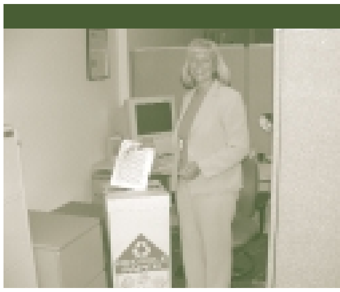
- Ran a recycling drop off six days/week, year round for mandatory recyclables at the Agency transfer stations. Provided a no-charge drop-off for small household scrap metal and office paper from small businesses.
- Guaranteed a zero tip fee for haulers who deliver curbside recyclables to the Agency's contracted Material Recovery Facility. OCRRA paid only $19,000 for the processing of recyclables collected from the households of the community, thanks to favorable market conditions for recyclable commodities.
- 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, television 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.

Congressman James Walsh (left) presents EPA grant to Recycling Director Andrew Radin (center) and Recycling Committee Chair Bob Ripberger. Grant funds will be used to promote Household Hazardous Waste Days in urban neighborhoods.

- Published a quarterly newsletter, Operation Separation Update,distributed to 50,000 residents per quarterly issue.
- 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 of recycling compliance.
- OCRRA expanded its web site activity with emails to thousands of businesses and residents with handy recycling reminders and offers to contact the Agency for recycling assistance.

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.

OCRRA's Mark Guanciale (right) helps dump part of the 60,000 pounds of secret papers that were shredded and recycled.



Legal Secretary Peg Elderbroom was part of OCRRA's public education effort. Peg promoted workplace recycling in a television ad.

The newly acquired box van not only carries the OCRRA message but also is a critical asset in delivering blue bins, dropping off business recycling containers, picking up old household batteries from Wegmans Supermarkets, and transporting OCRRA's mobile display to public appearances. Jeff Cooper is poised to make another delivery.

Transfer Operations

A beehive of activity and major improvements were the highlights of the year at OCRRA's transfer operations. The Ley Creek Facility was bustling throughout the year as Onondaga County experienced a brutal winter, which resulted in an unusually large intake of roofing materials. Businesses and homes were replacing or repairing roofs that were damaged by the weight of the ice and snow, which accumulated throughout the winter months. The winter weather also was the culprit in forcing the Agency to replace its entire unloading deck area, which was destroyed by the bitter cold during a time when the normally slow period never slowed down at all. Better than $107,000 was invested in a new concrete unloading pad to better accommodate customers and expedite the flow of traffic. The amount of material processed at Ley Creek also reached new highs. It was an extremely active year.

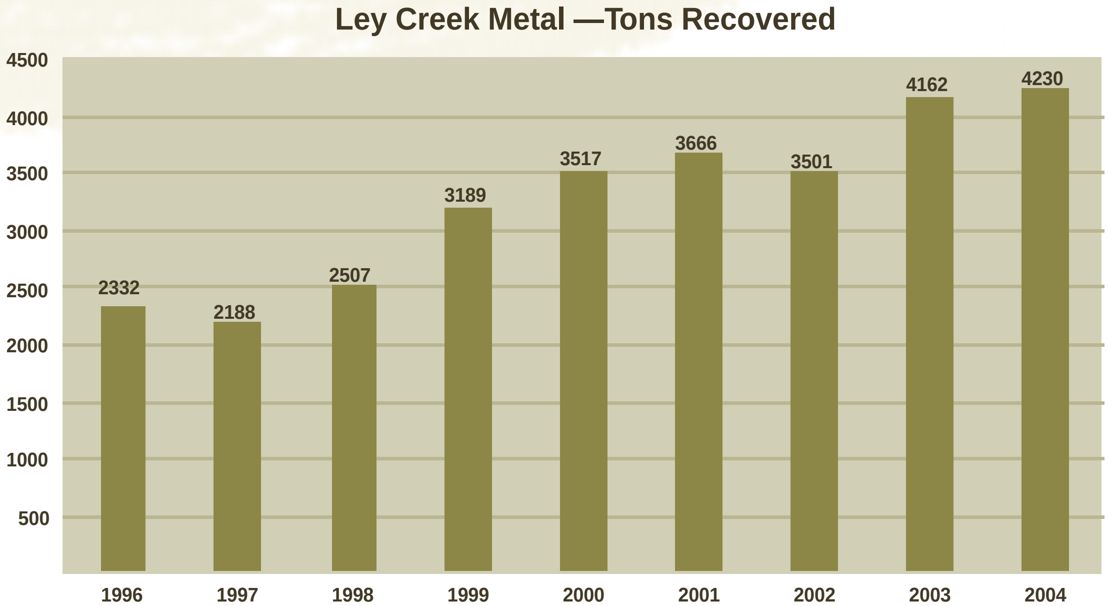
During 2004, Transfer Operations continued to achieve its goals of safe and efficient operations at our two Transfer Stations while maintaining excellent customer service. OCRRA drivers traveled over 630,000 accident free miles transporting ash residue and by-pass material to an out of county landfill, processible material to the Waste to Energy Facility (WTE), 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 service to all of our customers.

Rock Cut Road Transfer Station Workers (left to right) Joanne Harsma, Nick Andriatch, Joe Broome, Rick Dickerson, and Ted Pease. (Seated) Ron Boardway.

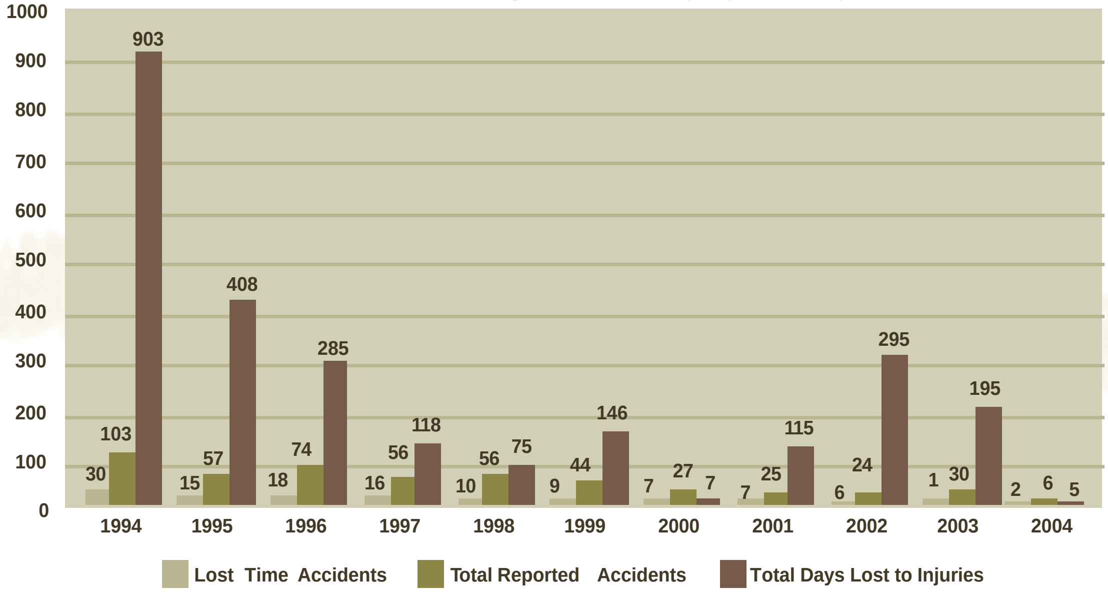
Ash truck drivers (left to right) John Blum, Anthony Hines, and Brad Tenhave.

Ley Creek Transfer Station — Teamwork

Construction & Demolition Debris and outsized MSW was received and processed at the Ley Creek Transfer Station in 2004. The total intake at the station was over 107,000 tons, which equates to an 8.5% increase over the year 2003. The intake in 2004 was the largest amount received at Ley Creek since the Waste to Energy Facility came on line and the Ley Creek Station assumed its current activities. Without a doubt, the co-workers in Transfer Operations handled the additional material by executing their jobs as a team. OCRRA did not increase its roster; we worked as an efficient team to accomplish the demanding job of handling thousands of tons of material in all sorts of weather. This material was processed and separated by the transfer station



Workers Compensation Injury History



co-workers for delivery to several different facilities. The WTE facility received 83,350 tons of material from Ley Creek. In addition, 4,260 tons of scrap metal and corrugated cardboard were recovered and recycled. More than 157 tons of items containing CFC refrigerant were removed from the waste stream and sent to a contractor for extraction and recovery of the refrigerant and the metal. 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 65,296 including 20,692 Flat Rate customers. This represents an 11.3% increase in the number of vehicles utilizing the facility, a testament to OCRRA's efforts to constantly improve customer service.

The brutal winter weather forced OCRRA to replace the unloading deck area.

The Ley Creek Transfer Station team processed a record amount of tonnage during 2004. Ley Creek is a key cog in the OCRRA operations. Teamwork is necessary to get the job completed satisfactorily and safely.

Ley Creek Transfer Station plant operator Leroy Sabin gives tour to high school students headed off to college to study environmental issues.

Rock Cut Road Transfer Station — Customer Service

The utilization of the Rock Cut Road Transfer Station by small users and cash customers increased by 4% in the year 2004. In total, 14,662 vehicles entered the facility through the scales and another 33,068 customers utilized the facility for bag sticker and recycling drop off services. Once again, Rock Cut Road excelled at customer service for the casual and occasional household customer that seeks to self-dispose of trash or remodeling debris. The utilization of the Rock Cut Road Station has removed traffic from the Ley Creek facility. This has resulted in improved turn around times and customer service for all of our customers. The materials recovered from the Rock Cut Road Transfer Station included more than 30 tons of items containing CFC refrigerant, 385 tons of scrap metal and 200 tons of corrugated cardboard, in addition to the recyclable materials collected in the recycling bins.

(Left to right) Drivers Chris Jeffreys, Rusty Johnson, Jim Olney, and J.L. Lively are part of the crew that traveled 630,000 accident free miles hauling ash residue and bypass waste.

Safety First

This facility also houses the Agency maintenance shop and is the base for our fleet of ash transport dump trucks. During 2004, Agency drivers transported 95,825 tons of ash residue from the WTE facility to an out of county landfill. Fuel cost increased considerably in 2004, but the utilization of the fuel efficient dump trucks helped OCRRA somewhat mitigate the expense.

The Transfer Operations team also assists the other departments within the Agency. Transfer employees 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.

There were positive results from the ongoing emphasis of safety in the workplace. During 2004, there were only two lost time accidents that resulted in a total of five days lost to injury. Obviously, the goal is zero, but this dramatic improvement is a testament to the continuing efforts expended to improve on-the -job safety through employee involvement in regular safety awareness training seminars as well as active participation in OCRRA's Safety Committee. The year 2004 can easily be categorized as the safest year in OCRRA's history.

Waste To Energy

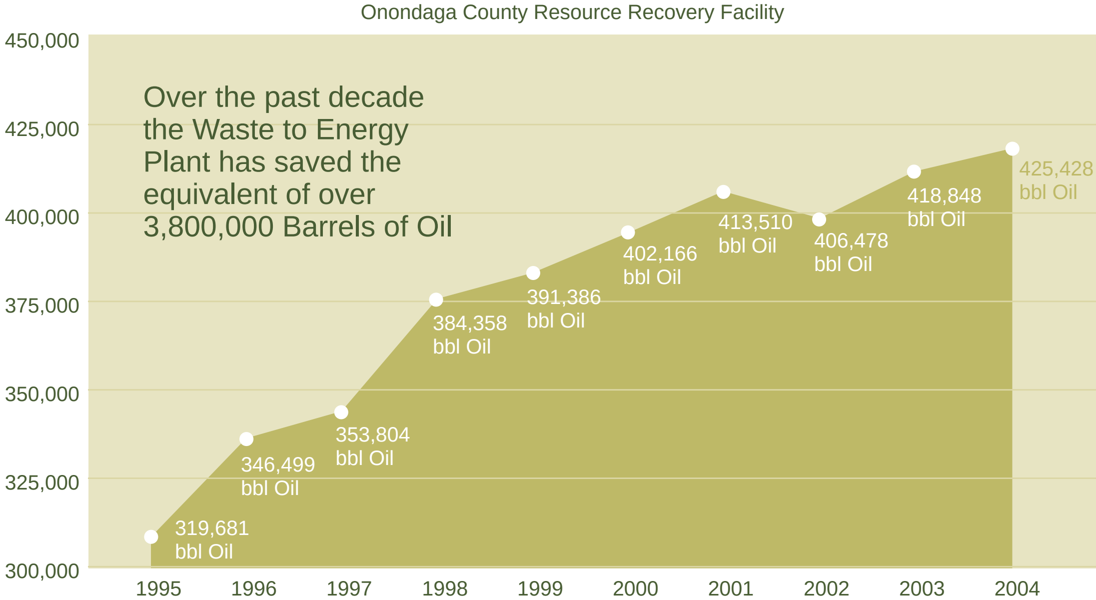
Ten years of continuous, environmentally-sound operation. While producing enough electricity to satisfy the needs of nearly 25,000 homes in Central New York and still going strong. That's the track record of the Waste To Energy (WTE) Facility. It's been just over 10 years since it became operational in late 1994. The facility now operates at 98% of its permitted throughput capacity.

2004 was another very good year for plant operation. More than 354,500 tons of non-hazardous, non-recyclable solid waste were converted into more than 234,400 Mega Watt hours (MWh) of electricity. That's the most waste processed and electrical energy exported in any calendar year to date. All this was accomplished while the facility maintained full compliance with one of the most stringent air emissions 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 the lowest recorded since the facility's start-up. All of the continuously monitored and periodically tested pollutant constituents remained in compliance with the strict permit limits. The vast majority being only a small fraction of their allowable limit, as shown in the data table associated with this report. Similarly, the ash residue generated as a result of the combustion of the solid waste remained a non-hazardous solid waste. This is demonstrated through residue characterization tests.

A major contributor to the ten year success is the high level of maintenance being provided by the plant operator, Covanta Onondaga, LP. Reviews of routine plant operations and observations of preventative maintenance work activities are performed by OCRRA's independent consultant. These regular site visits are conducted during scheduled boiler outages. They confirm that the facility continues to be in very good condition after ten years of operation. It continues to be maintained at levels consistent with or exceeding industry standards. OCRRA will continue to contract with specialized engineering firms to provide for these on-site facility inspections and to also observe air emissions and ash residue testing. The New York State Department of Environmental Conservation, during its annual site inspection, once again concluded the facility to be in compliance with all permit conditions. This reinforces OCRRA's observations that all is well.

Annual Equivalent Barrels of Oil Saved

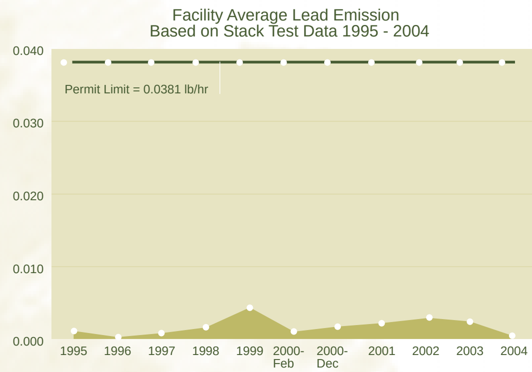
Onondaga County Resource Recovery Facility

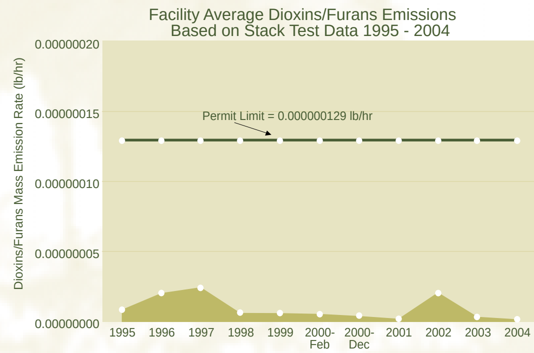


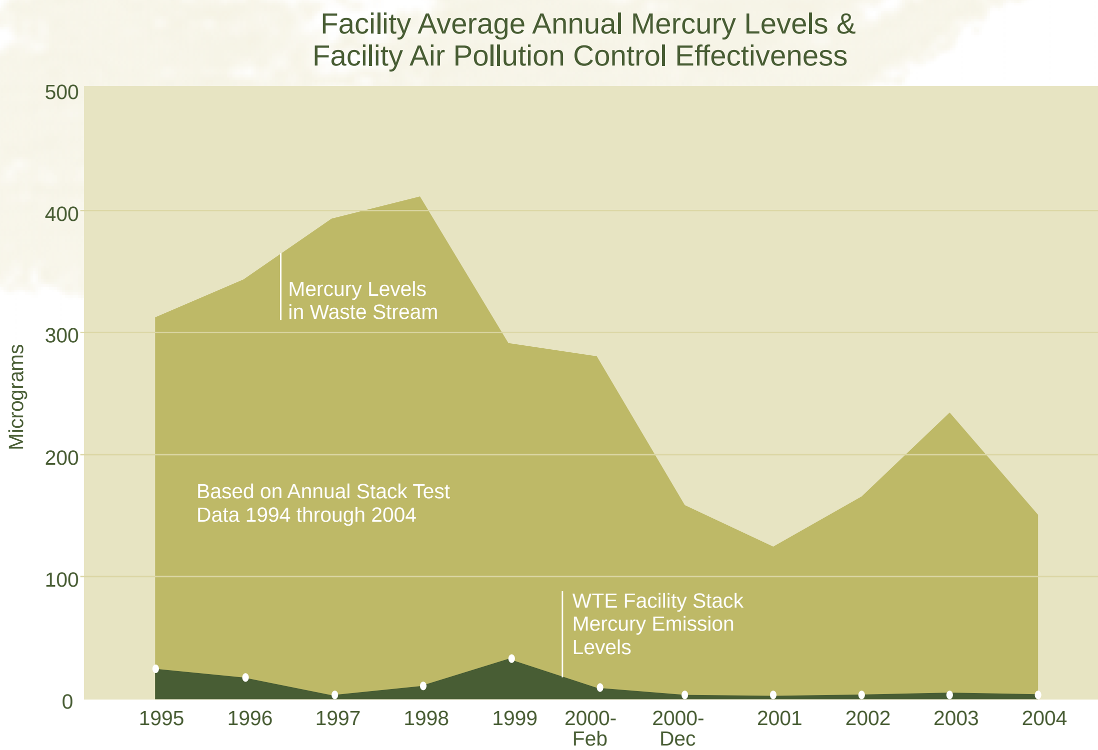
After a decade of operation the facility air pollution control systems' long term performance is apparent. Clearly, they have accomplished the job of providing safe disposal of non-recyclable solid waste. Emissions for the overwhelming number of monitored constituents are a tiny fraction of the stringent permit limits. Included are several graphs depicting excellent stack test results for a selected number of pollutant constituents that are worth noting. The results paint a ten-year picture of facility emissions being only a minute portion of the permissible levels. It should also be noted that the combustion of municipal solid waste produces lesser amounts of greenhouse gases than landfilling the waste, whether the landfill provides for the capture of methane for energy production or not.

It is an excellent environmental track record as witnessed by the outstanding results of air emissions and ash residue tests. The combination of environmental excellence, long-term debt reduction, and strong preventive maintenance bode well for a stable solid waste management solution for the next decade.

Facility Average Lead and Dioxins/Furans Emissions







A Microgram is One Millionth of a Gram

2004 Annual Stack Test Results
(Regulatory Compliance)

Constituent	Average Measured Emissions Unit 1	Unit 2	Unit 3	Permit Limit	(P) Pass or (F) Fail
Particulates (gr/dscf @ 7% O2)	0.00135	0.000804	0.00149	0.01	P
Particulates (mg/dscm)	3.09	1.84	3.41	27	P
Sulfur Dioxide (ppmdv @ 7% O2)	5.6	4.0	0.0	30	P
Sulfur Dioxide (lb/hr)	2.2	1.7	0.0	16.2	P
Nitrogen Oxides (ppmdv @ 7% O2)	168	168	167	180	P
Nitrogen Oxides (lb/hr)	47.4	49.4	47.9	58	P
Carbon Monoxide (ppmdv @ 7% O2)	7.1	7.8	11.6	45	P
Carbon Monoxide (lb/hr)	1.2	1.4	2.0	8.04	P
Polychlorinated Dibenzo-p-Dioxins and Furans					
(ng/dscm @ 7% O2) - Total *	0.266	0.908	0.601	30	P
(ug/dscm @ 7% O2) - NY TEFs *	4.75E-06	1.13E-05	7.87E-06	0.0004	P
(lb/hr) - NY TEFs *	6.76E-10	1.66E-09	1.10E-09	1.29E-07	P
Hydrogen Chloride (ppmdv @ 7% O2)	3.97	4.09	3.16	25	P
Hydrogen Chloride (lb/hr)	0.82	0.94	0.71	5.24	P
HCl Removal Efficiency (%)	99.5	99.4	99.5	>=95	P
Ammonia (ppmdv @ 7% O2)	3.57	3.58	3.03	50	P
Ammonia (lb/hr)	0.35	0.38	0.32	4.88	P
Cadmium (mg/dscm)	0.000366	0.000181	0.000173	0.040	P
Cadmium (lb/hr)	5.41E-05	2.72E-05	2.56E-05	1.90E-03	P
Lead (mg/dscm)	0.00416	0.00247	0.00219	0.44	P
Lead (lb/hr)	6.14E-04	3.71E-04	3.23E-04	3.81E-02	P
Mercury (ug/dscm @ 7% O2)	4.25	2.32	1.89	28	P
Mercury (lb/hr) *	0.000629	0.000349	0.000279	0.012	P
Mercury Removal Efficiency (%)	97.7	98.2	98.2	>=85	P
PM10 (gr/dscf @ 7% O2)	0.00109	0.00179	0.00157	0.01	P
PM10 (lb/hr)	0.359	0.638	0.539	3.16	P

Footnotes:
Test Values as reported by Covanta Onondaga, L.P. and submitted to the NYSDEC for regulatory compliance on 9/10/04
Values reported under Average Measured Emissions represent the average of 3 test samples per boiler combustion
Testing performed May 10-14, 2004
Note: * Indicates that one or more individual test results were below detection level of testing laboratory
Units:
gr/dscf = grains per dry standard cubic foot
ppmdv = parts per million dry volume
lb/hr = pounds per hour
ng/dscm = nanograms (billionth's of a gram) per dry standard cubic meter
ug/dscm = micrograms (millionth's of a gram) per dry standard cubic meter

2004 Ash Residue Characterization Test Results

OCRRA Ash Residue Characterization Semi-Annual Test Results—June 2004

Test Sample	Test Result (milligrams per liter)	Permit Limit	Pass or Fail
Cadmium	0.75	1.0	Pass
Lead	2.45	5.0	Pass

OCRRA Ash Residue Characterization Semi-Annual Test Results—December 2004

Test Sample	Test Result (milligrams per liter)	Permit Limit	Pass or Fail
Cadmium	0.78	1.0	Pass
Lead	2.12	5.0	Pass

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

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CPAs

HELPING OUR CLIENTS' VISIONS ADD UP

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, 2004 and 2003 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, 2004 and 2003, and the results of its operations and its cash flows for the year 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 6 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.

Testone, Marshall & Discenza, LLP

February 2, 2005

Syracuse, New York

Management 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 2004 operating revenues increased approximately 4.5% over the previous year while operating expenses declined by 7.0% over the same period.
- During 2003 operating revenues increased approximately 4.5% over the previous year and operating expenses declined by 3.7%.
- The Agency restructured its debt in 2003 resulting in net deferred gain of approximately $12 million to be realized over 11 1/2 years. During 2004 $1,164,612 net deferred gain was realized.
- The restructuring encompassed a settlement of litigation with Covanta Onondaga, resulting in a $472,758 reduction in the base operating Service Fee paid by the Agency in 2004.

Agency Highlights

- Continued commitment to safety awareness and training resulted in a 90% decrease in lost workdays and increased efficiency.
- Use of ash from the Waste-to-Energy facility as structural fill for landfill closure resulting in significant ongoing reductions in ash disposal costs.
- Environmental programs continued to grow in size and quality. The community recycling effort is at 66% for 2004.
- Processed approximately 354,500 tons at the Waste-to-Energy facility during 2004, representing a 1.6% increase over 2003 and producing energy equivalent to 425,000 barrels of oil.
- Permit renewals were obtained for each of the Agency transfer stations. These stations have the capacity to handle all of the non-recyclable trash in the thirty three municipalities OCRRA serves in the unlikely event that the Waste-to-Energy facility is experiencing any processing problems.

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.

Required Financial Statements

The Financial Statements report information about the Agency using accounting methods very similar to those used by private sector companies. These statements include short and long-term financial information about our activities.

The Statement of Net Assets reflects the Agency's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities) and serves as a means of assessing the financial viability of the Agency.

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 $1,923,902. The Agency's total net assets were $23,548,176 and $21,624,274 on December 31, 2004 and 2003, respectively.

Table 1

	2004	2003
Current assets	$ 36,924,705	$ 35,596,378
Assets limited as to use	8,401,679	3,398,615
Property, plant and equipment - net	6,796,070	6,954,192
Bond issuance costs - net of accumulated amortization	1,294,996	1,420,324
Facility lease - net of current portion	95,806,554	104,001,767
Total Assets	149,224,004	151,371,276
Current liabilities	14,548,972	10,350,951
Long-term liabilities	111,126,856	119,396,051
Total Liabilities	125,675,828	129,747,002
Net Assets - Invested in Capital Assets	6,796,070	6,954,192
Unrestricted	8,350,427	11,271,467
Restricted	8,401,679	3,398,615
Total Net Assets	$ 23,548,176	$ 21,624,274

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 year 2004 and 2003.

Table 2

	2004	2003
Operating Revenues	$ 34,492,357	$ 33,020,049
Other Revenues	5,554,437	10,500,301
Total Revenues	40,046,794	43,520,350
Operating Expenses	34,122,138	36,678,948
Other Expenses	4,000,754	8,491,274
Total Expenses	38,122,892	45,170,222
Change in Net Assets	1,923,902	(1,649,872)
Net Assets - Beginning of Year	21,624,274	23,274,146
Net Assets - End of Year	$ 23,548,176	$ 21,624,274

The increase in the Agency's net assets in 2004 was due primarily to the restructured debt, operating agreement and reduction in professional/legal fees combined with record levels of tonnage delivered to the system, resultant electric generation and strong recycling markets compared to prior years.

The reduction in the Agency's net assets in 2003 was related primarily to high debt service costs. The Agency restructured this debt in October 2003 resulting in lower debt service payments commencing in the last quarter of 2003.

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, 2004 Agency funds held by the trustee of $8,401,679 are recorded as Restricted under the Agency's Net Assets. These restricted assets increased by $5,003,064 during 2004 due to the Indenture of Trust agreement between the Agency and Wachovia (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 2004 operations will be made on May 1, 2005.

Budgetary Highlights

In 2004 the Agency had budgeted for a Subordinate Bond payment of approximately $1.6 million and an increase in net assets of $500,000. The Agency ended the year ahead of budget for revenues and below budget for expenses resulting in a Subordinate Bond payment of $3.5 million and an increase in net assets of almost $2 million.

The Agency had budgeted for the use of $4.8 million of reserves in order to balance the 2003 budget. As a result of the restructuring, increased revenues and decreased expenses, the reduction in the Agency's net assets was limited to $1.65 million, $3.1 million dollars better than planned.

Capital Assets

At the end of 2004 the Agency had $6.79 million invested in capital assets consisting primarily of two transfer stations and various pieces of operating equipment. During 2004 Property, Plant & Equipment, net decreased by $158,120 which reflects acquisitions of approximately $490,000, retirements of approximately $258,000, and depreciation charges.

Table 3

		2004		2003
Land	$	396,190	$	396,190
Landfill site		3,749,591		3,749,591
Landfill site costs		195,760		186,684
Landfill buildings and improvements		626,314		769,014
Buildings and improvements		1,570,519		1,398,994
Machinery and vehicles		5,695,240		5,511,739
Furniture and fixtures		104,496		104,496
Computer equipment		269,133		293,162
Land improvements		68,799		68,799
Construction in progress - computers		35,094		—
Total property, plant and equipment		12,711,136		12,478,669
Less: Accumulated depreciation		5,915,066		5,524,477
Property, plant and equipment - net	$	6,796,070	$	6,954,192

Debt

During 2004 the Agency reduced outstanding senior lien revenue refunding bonds by $5,220,000.

The Agency will reduce Series 2003B bonds by $3,507,254 based on the 2004 operating surplus as calculated and made part of the restructured debt and service agreement. The Agency will make this reduction during 2005.

In October 2003 the Agency refunded its bonded debt by issuing 2003 Series A and Series B Bonds in the combined amount of $112,115,000. The proceeds of these issues, combined with assets limited as to use, were used to pay off the balance of the Agency's 1992 Revenue Bonds and approximately $1,450,000 in underwriting and other issuance costs.

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 with an option to purchase the facility for $1. 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 $23,950,000 and the Capital Charge of $12,687,340 represents the portion of the Direct Finance Lease attributable to debt service principal and interest on the Series 2003A & B Bonds in 2004.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The industry in which OCRRA operates is highly regulated and highly competitive. The 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. In 2005 OCRRA is projecting a net operating gain from its operations.

The 2005 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 2005 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. Protecting the environment and public health is an investment for our children, their children and grandchildren. Even in these difficult economic times we must stay the course on protecting the environment and investing in its improvement. OCRRA remains committed to its core environmental mission. Its permits, contracts, and mission statement all require successful environmental stewardship. Performance to budget in 2005 is also dependent upon OCRRA meeting and exceeding all of its environmental responsibilities.

2. **Retaining System Trash Tonnage**

   OCRRA's tonnage retention and processing success in 2004 is projected to be carried into 2005 and it is due to partnerships. The Budget for 2005 is built on the continuation of critical partnerships with our core customers: the thirty-three member municipalities in the OCRRA system and the haulers who 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. Customer service remains critically important to obtaining all system goals.

3. **Financial Stability**

   OCRRA's values place cost effectiveness and fiscal responsibility at its very core. The 2005 budget reflects the Agency's continued financial stability. During the 2004 Agency operations resulted in a $1,923,902 increase in net assets which marked an improvement in financial stability. From 2000-2003, the Agency had relied upon the use of its reserves to balance annual budgets. That situation depleted approximately $13.5 million in net assets.

4. **Forging a Strengthened Partnership**

   Despite the untimely 2002 Chapter 11 Bankruptcy filing by the Waste-to-Energy operator, Covanta Energy Corp., and the local Covanta Onondaga operation, positive events occurred late in 2003, the results of which continue in 2005:

   A. After extensive litigation by both OCRRA and Covanta, the adversarial position subsided and the parties began a team effort to resolve contractual differences.

   B. Group teams comprised of OCRRA's management, Covanta officials, Covanta's Limited Equity Partners, and the major bondholder were formed. Together they hammered out a mutual agreement whereby each party made key concessions for the betterment of a sustainable and cost effective restructured Service Agreement.

   C. Each of the participants benefited for the long haul by keeping the Solid Waste System intact and financially sound without interruption of services to the community.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

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

Statement of Net Assets

For the Year Ended December 31, 2004 and 2003

ASSETS

		2004	2003
CURRENT ASSETS			
Cash and cash equivalents		$ 23,811,306	$ 24,714,173
Accounts receivable (net of an allowance for bad debts of $25,000 in 2004 and 2003)		3,435,974	2,896,209
Prepaid expenses and other receivables		440,171	390,038
Facility lease, current portion (NOTE 5)		9,237,254	7,595,958
Total current assets		36,924,705	35,596,378
ASSETS LIMITED AS TO USE			
Investments held by trustee under indenture (NOTE 3)		8,401,679	3,398,615
PROPERTY, PLANT AND EQUIPMENT, net (NOTE 4)		6,796,070	6,954,192
DEFERRED CHARGES, net		1,294,996	1,420,324
FACILITY LEASE, net of current portion (NOTE 5)		95,806,554	104,001,767
TOTAL		$ 149,224,004	$ 151,371,276

LIABILITIES AND NET ASSETS

		2004	2003
CURRENT LIABILITIES			
Bonds payable - Series A, current portion (NOTE 6)		$ 5,730,000	$ 5,220,000
Bonds payable - Series B, current portion (NOTE 6)		3,507,254	—
Deferred revenue, current portion		1,164,612	1,164,612
Accounts payable		3,271,726	2,790,630
Accrued interest		640,792	923,794
Accrued expenses and other current liabilities		234,588	251,915
Total current liabilities		14,548,972	10,350,951
LONG-TERM LIABILITIES			
Bonds payable - Series A, net of current portion (NOTE 6)		71,165,000	76,895,000
Bonds payable - Series B, net of current portion (NOTE 6)		29,092,142	30,466,725
Deferred revenue, net of current portion		10,869,714	12,034,326
Total liabilities		125,675,828	129,747,002
NET ASSETS			
Invested in capital assets		6,796,070	6,954,192
Unrestricted		8,350,427	11,271,467
Restricted		8,401,679	3,398,615
Total net assets		23,548,176	21,624,274
TOTAL		$149,224,004	$151,371,276

See Notes to Financial Statements

Statement of Revenues, Expenses and Change in Net Assets

For the Year Ended December 31, 2004 and 2003

	2004	2003
OPERATING REVENUES		
Tipping fees	$ 20,478,549	$ 19,532,475
Electric revenue	12,577,926	12,125,574
Other	1,435,882	1,362,000
Total operating revenues	34,492,357	33,020,049
OPERATING EXPENSES		
Personal services	4,187,323	3,925,647
Contractual services		
Landfill contracts	2,627,430	2,643,516
Other contractual services	416,721	255,044
Materials and supplies	313,903	217,222
Professional fees	139,780	398,221
Recycling and composting	247,437	378,082
Hazardous waste disposal	209,371	225,524
Repairs and maintenance	118,383	139,693
Utilities	113,902	124,483
Insurance	243,133	201,136
Operating leases	97,177	94,846
Depreciation and amortization	672,958	721,416
Taxes and other payments to Host Communities	313,433	278,291
Other	470,711	417,870
Waste-to-Energy operations cost (NOTE 5)	23,950,476	26,657,957
Total operating expenses	34,122,138	36,678,948
OPERATING INCOME (LOSS)	370,219	(3,658,899)
OTHER REVENUE (EXPENSE)		
Interest income - cash and repurchase agreements	95,354	1,365,091
Interest income - nonsystem	360,015	—
Interest income - lease receivable	4,000,752	8,126,374
Interest expense	(4,000,752)	(8,491,274)
Loss on disposal of fixed assets	(66,298)	—
Gain on refunding of long-term debt	1,164,612	258,836
Gain on sale of investment	—	750,000
Total other revenue - net	1,553,683	2,009,027
INCREASE (DECREASE) IN NET ASSETS	1,923,902	(1,649,872)
NET ASSETS - BEGINNING OF YEAR	21,624,274	23,274,146
NET ASSETS - END OF YEAR	$ 23,548,176	$ 21,624,274

See Notes to Financial Statements

Statement of Cash Flows

For the Year Ended December 31, 2004 and 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from tipping fees	$ 19,922,577	$ 19,483,587
Receipts from electric revenue	12,594,133	11,811,606
Other operating receipts	1,435,882	1,362,000
Payments to vendors and suppliers	(4,637,285)	(5,617,831)
Payments to employees	(2,674,911)	(3,057,340)
Payments for Waste-to-Energy (WTE) Operations	(11,263,136)	(11,861,185)
Payments for insurance and risk management	(1,772,872)	(1,069,443)
Net cash provided by operating activities	13,604,388	11,051,394
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments on bonds outstanding	(5,220,000)	(140,850,000)
Purchase of property, plant and equipment	(455,805)	(675,554)
Payments for interest on bonds outstanding	(4,283,754)	(9,204,334)
Proceeds from bonds issued	—	112,115,000
Payments for bond issuance costs	—	(1,451,655)
Net cash utilized in capital and related financing activities	(9,959,559)	(40,066,543)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(5,003,065)	—
Proceeds from interest on invested funds	455,369	1,650,179
Proceeds from the sale of investments	—	23,280,699
Proceeds from the use of assets limited as to use	—	20,052,475
Net cash provided (utilized) by capital and related financing activities	(4,547,696)	44,983,353
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(902,867)	15,968,204
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	24,714,173	8,745,969
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 23,811,306	$ 24,714,173
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	$ 370,219	$ (3,658,899)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	672,958	721,416
Provision for bad debt expense	5,306	10,939
WTE operations used to reduce lease costs	12,687,340	14,796,772
Changes in operating assets and liabilities:		
Accounts receivable	(545,071)	(362,856)
Prepaid expenses and other current assets	(50,133)	(128,115)
Accounts payable and accrued expenses	463,769	(327,863)
Total adjustments	13,234,169	14,710,293
Net cash provided by operating activities	$ 13,604,388	$ 11,051,394

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:

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

See 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 those 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, 2004 and 2003 includes $3,152,000 and $1,946,700, 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, are stated at cost, which approximates fair value. Additional investments owned during the year consisted of repurchase agreements and temporary cash investments.

Deferred Charges

Deferred charges represent debt issuance costs amortized on a straight-line basis over the term of the debt. Accumulated amortization at December 31, 2004 and 2003 amounted to $156,659 and $31,331, respectively.

Property, Plant and Equipment

Property, plant and equipment 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.

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.

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 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, 2004 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 30% of the municipal solid waste to the System during the year ended December 31, 2004.

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

The Federal Second Circuit Court of Appeals in United Waste Haulers vs. Oneida-Herkimer Counties found that a county waste site designation law that directed waste to a public facility was valid provided the local benefits outweighed the potential impact on Interestate Commerce. U.S. Supreme Court certiorari was denied and the case is now before Federal District Court for the Northern District of New York to take testimony on the local benefit vs. commerce impact issue. It is widely expected that such a valid local purpose will be established. Based upon the precedent established by this case, on February 3, 2003 the Onondaga County Legislature adopted a similar law covering municipal solid waste generated in the thirty-three municipalities that participate in the Onondaga County Solid Waste Management System. Onondaga County requested however, that the Agency agree to defend and indemnify the County for any legal challenge or claims resultant from their adoption of this local law. The Agency has executed a defense and indemnification agreement to satisfy this demand.

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, 2004 and 2003:

	2004	2003
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.	$ 1,636,058	$ 1,743,794
Funds accumulated from system revenues to pay for debt service obligations of the Subordinate Lien Revenue Refunding Bonds (2003B Series)	3,507,254	—
Accumulation of earnings from system revenues to satisfy general Agency obligations	3,258,367	1,654,821
Total	$ 8,401,679	$ 3,398,615

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment activity for the year ended December 31, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Land	$ 396,190	$ —	$ —	$ 396,190
Landfill site	3,749,591	—	—	3,749,591
Landfill site costs	186,684	9,075	—	195,760
Landfill buildings and improvements	769,014	5,480	148,180	626,314
Buildings and improvements	1,398,994	174,825	3,300	1,570,519
Machinery and vehicles	5,511,739	240,113	56,611	5,695,240
Furniture and fixtures	104,496	—	—	104,496
Computer equipment	293,162	25,310	49,339	269,133
Land improvements	68,799	—	—	68,799
Construction in progress - computers	—	35,094	—	35,094
Total property, plant and equipment	12,478,669	489,897	257,430	12,711,136
Less: Accumulated depreciation	5,524,477	547,630	157,041	5,915,066
Property, plant and equipment - net	$ 6,954,192	$ (57,733)	$ 100,389	$ 6,796,070

The Agency collects rental income and incurs maintenance on certain properties which are located on the agency's landfill site.

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:

	2004	2003
Operating and pass through costs	$ 10,431,862	$ 11,159,570
Additional waste processing fee	831,264	701,616
Capital charge	12,687,340	14,796,771
Total	$ 23,950,476	$ 26,657,957

Future minimum annual lease payments due from the Partnership are as follows at December 31, 2004:

YEARS ENDING DECEMBER 31,	AMOUNT
2005	$ 13,011,254
2006	9,499,000
2007	9,504,375
2008	9,504,250
2009	9,502,875
Thereafter	111,403,865
Total future minimum lease payments	162,425,619
Unearned income	57,381,811
Net investment in lease	105,043,808
Current portion	9,237,254
Long-term portion	$ 95,806,554

The payments due for the year ending December 31, 2005 include approximately $3,500,000 required to be received pursuant to the satisfaction of the Series B 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.

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:

		$ 5,431,156
Add:	Depreciation	547,630
	Amortization	125,328
Deduct:	Gain on Refunding	(1,164,612)
	Interest income - non-system	(360,015)
	Miscellaneous revenue -	
	2003 Workers Compensation refund	(24,613)
Contractually defined surplus		4,554,874
Series B Share		77%
	Current Obligation - 2003B Bonds	$ 3,507,254

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) of approximately $12,000,000. The Agency recognized $1,164,612 and $258,836 for the years ended December 31, 2004 and 2003, respectively.

Activity relative to Bond debt for the year ended December 31, 2004 was as follows:

	Balance at December 31, 2003	Additions	Reductions	Balance at December 31, 2004
Senior Lien Revenue				
Refunding Bonds	$ 82,115,000	$ —	$ 5,220,000	$ 76,895,000
Subordinate Lien Revenue				
Refunding Bonds	30,466,725	2,132,671	—	32,599,396
Total	$112,581,725	$ 2,132,671	$ 5,220,000	$ 109,494,396

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:

YEARS ENDING DECEMBER 31,	INTEREST	PRINCIPAL
2005	$ 3,774,000	$ 5,730,000
2006	3,484,000	6,015,000
2007	3,179,375	6,325,000
2008	2,859,250	6,645,000
2009	2,522,875	6,980,000
2010-2014	6,943,250	40,565,000
2015	115,875	4,635,000
Total	$ 22,878,625	$ 76,895,000

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 (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 preceeding years were:

YEAR ENDING DECEMBER 31,	AMOUNT
2004	$ 343,514
2003	139,456
2002	33,481

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 (fifty dollars) per month until their death. Total cost to the Agency of providing health insurance benefits to 3 retirees during 2004 and 2003 was approximately $25,000 and $17,000, respectively. The cost of these benefits was expensed as paid.

Health Benefits

The Agency offers certain healthcare benefits to its represented and non-represented employees.

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 certain pieces of equipment and office facilities under a number of operating leases. Obligations under all cancelable and noncancelable long-term operating leases are as follows at December 31, 2004:

YEAR ENDING DECEMBER 31,	AMOUNT
2005	$ 46,392
2006	75,534
2007	74,784
2008	74,784
2009	74,784
Thereafter	87,248
Total	$ 433,526

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 $2,546,176 and $2,580,848 during 2004 and 2003, 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. During 2003 the Agency and Landfill established the terms of a contract amendment providing for a reduced Ash Residue Disposal Charge for certain material delivered to the Landfill through the duration of a specified project but in no event beyond December 31, 2005.

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 $43,561 and $43,228 in 2004 and 2003, respectively. The Agency also made payments of approximately $135,000 in 2004 and 2003, for Fire District assessments. The Agency anticipates similar payments will be made in 2005.

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 2004 and 2003, no such payments were made.

Litigation

The Agency is a party to various proceedings arising in the normal course of business. In addition, the Agency is involved in certain legal action regarding its waste-to-energy facility. At this time, it is not possible to predict the likely outcome of the aforementioned proceedings, or the ultimate impact on the financial position of the Agency which may be material. The Agency has and will continue to vigorously contest any and all such proceedings.

9. NIAGARA MOHAWK POWER AGREEMENT (NIMO)

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

10. RECLASSIFICATION

Certain amounts reported at December 31, 2003 have been reclassified to reflect information and assumptions existing at December 31, 2004. These reclassifications had no effect on the change in net assets or net assets as previously reported.

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