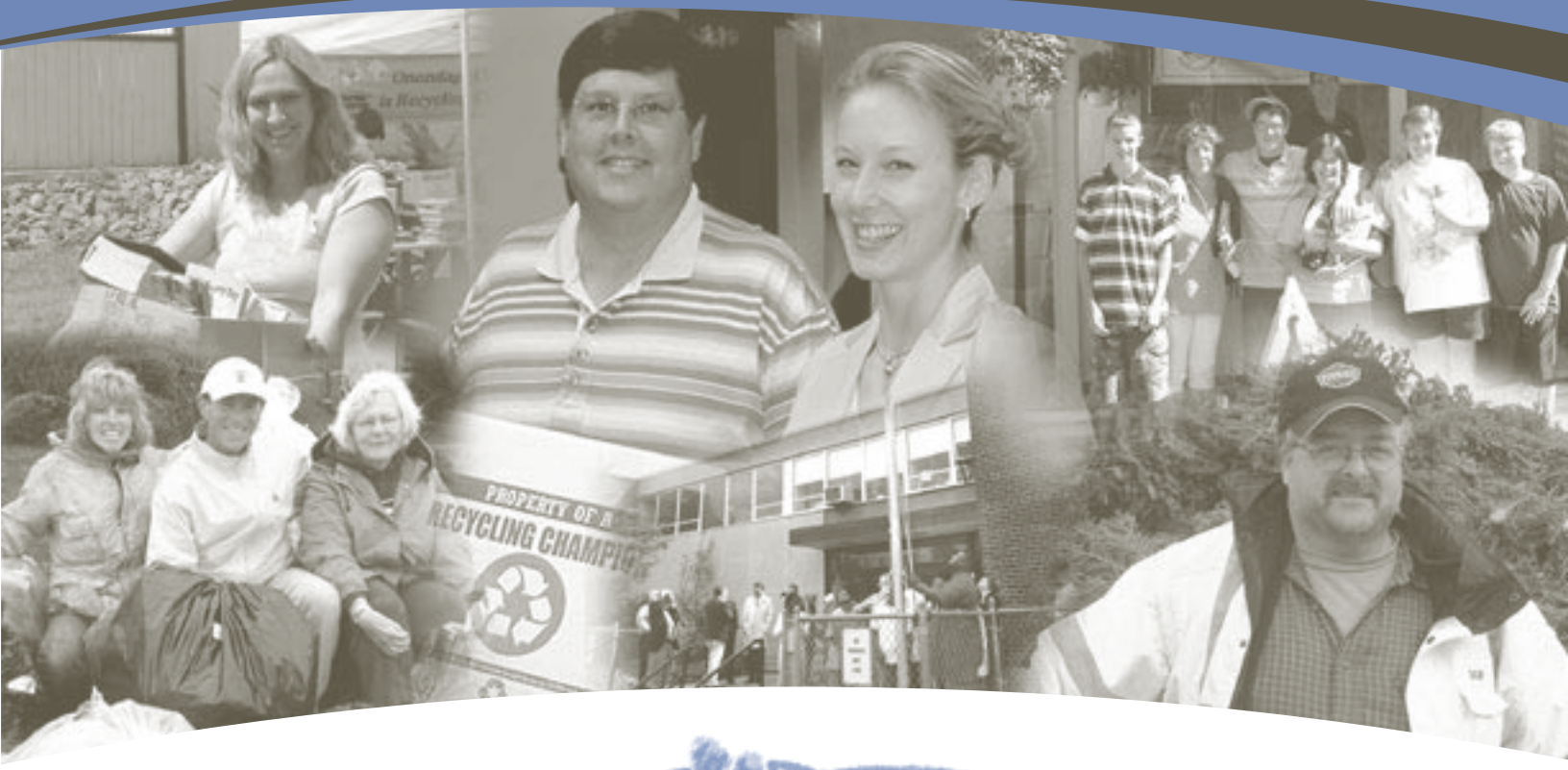
Onondaga County
Resource Recovery
Agency

OCRRA 2005
Annual Report



OCRRA's Vision

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

OCRRA's Mission

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

OCRRA's Core Values

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

About the Cover

OCRRA was on the go throughout 2005. Its focus was on people, preserving natural resources, and protecting the environment. OCRRA was also peering into the future….setting its sights on even loftier heights. The OCRRA Board of Directors and Senior Management crafted their Vision and Mission. At the heart of our organization are OCRRA's Core Values. We are proud of the strategic plan we have developed for the future. We invite you to learn about it as you read this Annual Report. As the pictures show, we are people-oriented. We are here to help them with recycling on the job, in the home, and always preaching the gospel of being strong stewards of our environment.

Report from the Chair

It has become axiomatic in business these days. You need a plan. A roadmap to follow as your organization pursues its goals. Over the past year, the Board of Directors and senior management immersed themselves in a series of Strategic Planning sessions. OCRRA's Board and management were determined to craft a plan that encompassed near term goals and long-term objectives. These strategic planning meetings were lively give and take sessions as members of the Board and management shaped the Core Values, Vision and Mission statements.

At the heart of OCRRA's operations are the Agency's Core Values. Core Values are the traits and characteristics that transform OCRRA from being just another governmental entity to a public service that exceeds its customers' expectations. They are:

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

These Core Values represent the guiding principles of the Agency. They are not goals nor objectives, but a way of doing business with each other and all who will interact with the Agency. Core Values are lived and never violated.

The Vision Statement is designed to set our future standards and dream a bit about our future. The Vision Statement simply states where the organization wants to be or what it wants to achieve in the near future. It succinctly sums up what the Agency is striving to become to its customers. OCRRA's Vision as adopted by the Board is:

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

The Mission Statement is designed to provide a basis for our day-to-day operations and focus. The Mission Statement clearly spells out who we are, what we do, and how we do it. Its targeted audience is not only those who have a passing familiarity with OCRRA, but aims to enlighten those who are unfamiliar with the Agency or are newcomers to our community. We adopted the following as our mission:

"OCRRA provides to the community a solid waste solution that is environmentally sound, highly efficient, safe and innovative, by utilizing

Anthony Mangano
OCRRA Chair

the optimal mix of waste reduction, recycling, and disposal."

There was plenty of "wordsmithing" as we vigorously deliberated what we wanted to convey in our Vision and Mission statements. In our final session, we reached a consensus that has been enthusiastically adopted by the Board and management.

Not surprisingly, there was virtual unanimity on the Core Values of OCRRA. All of the strategic planning team members listed integrity & honesty as the number one value over all others. OCRRA's team also has placed an exceptionally high value on environmental stewardship. Fiscal responsibility and Excellence in Services are also an integral part of OCRRA's Core Values.

In 2005, the New York State Legislature adopted the Public Authorities Accountability Act. It applied principles similar to those found in the federal law, known as the Sarbanes-Oxley Act, to public authorities, including OCRRA. The OCRRA Board acted quickly to ensure the Agency's compliance with the new law. Although the Agency already had a comprehensive Code of Ethics, it was expanded to require strict adherence to more detailed legal and ethical responsibilities for both employees and Board members. The Agency also expanded its Whistleblower Policy to encourage employees to report suspected violations of the new Ethics Code and to reassure reporting employees that they would not face retribution for doing so. The Agency created two new committees to meet expanded Board responsibilities, namely an Audit Committee and a Governance Committee.

The Audit Committee is charged with the responsibility for providing direct oversight of the Agency's outside auditors as well as receiving and investigating any allegations of fraud or impropriety in the auditing or accounting processes, including any received under the new, expanded Whistleblower Policy. The Agency adopted comprehensive policies for the acquisition of real property and for the disposition of real and personal property as well as new or updated policies covering personnel, investments, procurement policies, computer usage, and travel expenses. The Agency also adopted a new defense and indemnification policy for Board members and employees.

A Governance Committee also was created as part of the new state law. The Governance Committee's responsibilities include keeping the Board informed of current best governance practices, reviewing corporate governance trends, updating the Agency's corporate governance principles, and advising appointing authorities on the skills and experience required of potential Board members.

By year-end, the Agency was one of the first, if not the first public authority, to achieve full compliance with the policies and procedures required under the new law, and will continue to ensure that we remain in full compliance.

The OCRRA Board continued its advocacy for adoption of an expanded version of New York State's Bottle Deposit Law. The bill, when enacted in the 1980's, did not anticipate the explosion in popularity of the non-carbonated sports drinks, teas, and bottled water. OCRRA's Board strongly believes these beverage containers should be added to the list of bottles and cans covered by the deposit law. It would increase recycling, dramatically reduce roadside litter, and preserve natural resources. We will be ardent advocates again in 2006.

OCRRA continued to experience tremendous community support for its numerous recycling programs. Attendance was exceptional at our four computer/TV recycling events, the Agency's three household hazardous waste days, and our Shred-O-Rama for the destruction of confidential papers. Volunteer groups stepped up to the plate in response to our efforts to find a second reader for unwanted books before they were recycled into paper products.

I want to thank our Board of Directors for the hundreds of hours they devoted to the Agency's operations during 2005. As citizen volunteers, these members of the Board not only participated in numerous Strategic Planning sessions, committee meetings, Board meetings, but also devoted untold hours digesting materials that allowed them to make informed decisions on critical issues. As Chairperson, I am deeply indebted to them.

It was a team effort to excel while holding firm to our Core Values. Indeed, it was a time to celebrate our successes.

Executive Director's Report

Tom Rhoads
Executive Director

Residential recycling continues to soar as the community recycled 44,688 tons of materials into the household blue bin. In a community that recycles over two thirds of all its residential and commercial solid waste, we like to believe that recycling is our greatest team effort. This new record occurred during a year when OCRRA stepped up mightily to provide emergency stopgap measures for a major recycling facility. A huge fire destroyed the Recycle America facility on April 23, 2005. OCRRA's Rock Cut Road Transfer Station was transformed into a drop off point for haulers that normally would deliver their blue bin materials to the Recycle America plant. These recyclables were then reloaded onto tractor-trailer rigs by OCRRA and trucked to Rochester, New York, where they were recovered and shipped to markets. OCRRA workers put in 12 to 14 hour days over a two-month period to keep the recycling program intact. As Executive Director, I take pride in the excellent public service effort by my co-workers to make this a seamless transition. There was no change in the collection of recyclables. Only minor adjustment was made to the customer service routine at the Rock Cut Road Transfer Station. During the disaster recovery period, the transfer station could only accommodate bag trash customers and those with blue bin recyclables. Bulky loads of waste were diverted to the Ley Creek Transfer Station. By early July, we were able to return to normal at Rock Cut Road. It was a solution involving great public communication and community relations, teamwork with private MRF operators, and above all else a dedicated team of OCRRA co-workers.

Positive accomplishments realized during 2005 included a five-year renewal of the contracts between the Agency and the haulers servicing businesses and residents of the OCRRA system. The renewed contracts ensure that all municipal solid waste in the system will be delivered to OCRRA facilities for safe disposal. Over the course of the next five years, it will produce revenues of approximately $139 million from tipping fees and electricity generated at the Waste To Energy Facility. These revenues pay for all of OCRRA's environmental stewardship elements, well beyond trash disposal, including recycling, composting, household hazardous waste removal, electronics recycling, and even the basic blue bin to name just the top of the list. OCRRA reached agreement on a new pact with the haulers without an increase in the tipping fee for 2006. Subsequent increases are minimal for the following four years. These tipping fees are less than half of what had been projected when bonds were issued prior to construction of the facility in 1992. Our municipal partners have witnessed savings in disposal costs running into the millions of dollars during the past decade due to OCRRA's constant commitment to fiscal responsibility. The new contract with the haulers only strengthens the system, the positive business relationship with our municipal and private customers, and the savings to the public.

OCRRA also inked a five-year agreement with two Material Recovery Facilities, more commonly referred to as MRFs. Privately operated, these MRFs remain a critically important component in OCRRA's blue bin program, which has been recognized as one of the finest in the country. From the outset in 1990, OCRRA offered an incentive to support recycling through our zero tip fee program for haulers delivering curbside recyclables to the MRF. The initial costs to OCRRA were viewed as a long-term investment in promoting of recycling in the home, on the job, or at public venues. It has paid dividends in the form of a solid waste management program where our community recycles two thirds of the waste it produces through our mandatory and voluntary programs. Under terms of the new agreement reached with the MRFs, the public system enjoys reduced administrative fees, shares in the revenues if the market prices exceed a predetermined level, and caps exposure if the market price for recyclables should take a precipitous decline. In some communities, OCRRA's equivalent operates its own MRF. The Agency has conducted cost/benefit analyses and determined that contracting with private MRFs is a fiscally responsible avenue

for OCRRA to pursue. It has the added benefit of promoting the growth in the private sector. The entire community benefits from that.

OCRRA remains financially vibrant. OCRRA's solid financial footing can be traced back to the debt restructuring that occurred in 2003. 2005 tonnage exceeded budgeted projections, which produced revenues higher than had been estimated. Electricity revenues also were higher than anticipated. During a portion of the year, the rate per kilowatt-hour was greater than the $.06 floor as set forth in the contract between OCRRA and National Grid. External events boosted the revenues from electricity sales. Consequently, OCRRA was advised at year's end that it would receive approximately $1.8 million in additional revenues for the electricity it produced and sold to National Grid.

There is one cautionary note. OCRRA, as was the case with virtually all sectors of the business world, experienced an up tick in costs in certain areas, especially those related to the consumption of energy. We too paid the higher price for diesel fuel, natural gas, and electricity to cite just a few examples.

The Agency Board adopted an amended safety policy. This policy provides a platform for continued investment in safety training and supplies. As will be shown later in this report, there was a decided improvement in the safety record during 2005. OCRRA reached a ten-year low in the number of reported accidents at the various work sites. Again, it was a year with no vehicle accidents. OCRRA is blessed with a team of outstanding safe truck drivers.

The Waste To Energy Facility completed ten years of operation. The Annual Stack Test results and trends over that period reflect an operation that is not only complying with all permit conditions, but the vast majority of emissions are only a small percentage of those allowed under terms of the operating permit. With continued transparency in all of our dealings with the public, we continue to publish those results in this annual report and on our website, www.ocrra.org. OCRRA salutes Covanta Onondaga for their outstanding operational record over the first ten years.

Looking to always improve itself, OCRRA periodically conducts a Waste Characterization and Quantification study to ascertain what's in the waste stream. Have there been changes? Are materials discovered in the waste stream that could be added to our list of recyclables? Such a study was conducted last fall. Outside consultants were retained by the Agency, but Recycling Specialist Douglas Grady, who is a whiz with statistics and the science of random sampling, oversaw the project. It's a dirty job that requires picking through heaps of trash and ascertaining its composition. The information will provide OCRRA with a database upon which we can make intelligent and informed decisions about program investment and solutions designed to improve excellent public participation.

OCRRA's successes are a team effort. Public education motivates a great community to separate trash from recyclables in OCRRA's Operation Separation. Trash and recyclables haulers, MRF operators, and the waste to energy operator manage these materials in keeping with high environmental standards. The accomplishments noted for 2005 include strengthening of every major facet of a successful solid waste management system. OCRRA's dedicated staff works hand in hand with our Board of Directors. These citizen volunteers devote countless hours at no pay to an essential service for the community. Together, we are a team working to make our community one of the best places to live and work.

I would be remiss in not noting the passing of a charter team member. Suzanne LaLonde was the first Director of Recycling and Waste Reduction for OCRRA. Under her aegis, OCRRA's recycling programs were recognized with awards year after year. The most prestigious national recycling organizations joined with the Governor of New York, the Department of Environmental Conservation, and the Environmental Protection Agency to bestow upon her and her associates numerous honors. Her passion for recycling and the environment was the way she lived her life. Suzanne was a pioneer among those who saw the intrinsic value in preserving our natural resources through a vigorous environmental stewardship. She was among the first to join the Agency team as she moved from county government, where she helped to develop the county's solid waste management plan, to OCRRA. She will be sorely missed.

Volunteer Board of Directors

Anthony G. Mangano
OCRRA Chairperson
General Manager
Ramada Inn

Albert J. Antelmi
Insurance Broker
Antelmi, Fusco, & Cazzola

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

Rainer H. Brocke, Ph.D.
State University of New York
Environmental Science & Forestry

Ravi Raman, P.E.
OCRRA Treasurer
Audit Committee Chairperson
President
RAM-TECH Engineers, P.C.

John P. Copanas
City Clerk
City of Syracuse

John R. Brennan, Esq.
Recycling Committee Chairperson
Attorney at Law
Byrne, Costello, & Pickard, P.C.

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

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

Jeffrey M. Evans, Ph.D.
President
Rondaxe Pharma

Dereth B. Glance
Program Director
Citizens Campaign for the
Environment

Gwendolyn Raeford
Educator
Fowler High School

Earl R. Hall
Executive Director
Syracuse Builders Exchange

Robert R. Ripberger
Carrier Corporation
(retired)

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

Recycling

In 2005, OCRRA established a vision to be recognized as a world leader in local waste disposal and recycling solutions by 2010, so that our community would be one of the best places to live and work. Throughout the year, significant progress was made in several areas towards achieving that vision.

A mountain of material was recycled through the residential curbside recycling program during 2005. The total: 44,688 tons. That set a record since the community began its blue bin curbside recycling collection 15 years ago. It's Onondaga County's greatest team effort, and it all adds up to a win for both the environment, and for controlling waste disposal costs . Over 500,000 tons of residential materials have been recycled since 1991, thanks to everybody doing their part each week to recycle newspapers, magazines, metal containers, and glass and plastic bottles through their blue bin. Include what businesses and schools generate, and the community has recycled a staggering quantity of materials in the past 15 years; about 9 million tons! If this material had required disposal, the costs would have exceeded $400 million. In total, Onondaga County reduced its total waste output by 65% in 2005 through recycling.

Another key accomplishment in 2005 involved the establishment of a new 5-year contract agreement between OCRRA and two local, private material recovery facilities (MRFs). These facilities process the thousands of tons of curbside and commercial recyclable materials generated each year in Onondaga County. The new contract reduces the Agency's annual risk in connection with payments to the MRFs for material processing, generates income for the Agency under favorable market conditions, and provides certainty and stability for the community's recycling system, even during market lows.

Solace elementary students (l to r) Leon Brown, Quashawn Prince, Michael Swank hoist OCRRA's Earth Day Flag presented to the student body emblematic as the top recycling school in Syracuse. (Photo courtesy of Dick Blume, Syracuse Post Standard.)

Each year, OCRRA works closely together 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. During 2005, OCRRA's Operation Separation Program managed:

• Two yard waste compost sites that served over 35,000 visitors, processed grass clippings, leaves and garden waste into 4,400 cubic yards of compost, and ground over 7,000 cubic

OCRRA's Earth Day attracts all age groups. Starting them at an early age sets values that last a lifetime and the children love it!

Bonnie Pirro of Camillus donates children's book for a second reading. Books not wanted are recycled, not trashed.

Four times a year residents are offered the opportunity to recycle old computers and be assured of safe disposal for unwanted TV sets. It's a popular draw.

OCRRA's Douglas Grady inspects a sample of trash as part of a study to determine the composition of the waste stream.

yards of branches, Christmas Trees, and clean wood materials into a mulch for local gardens.

- Three "Household Hazardous Waste" (HHW) collection days that provided an environmentally sound disposal outlet for thousands of pounds of pesticides, herbicides, automotive products, and other potentially hazardous materials that might otherwise enter the waste stream or local environment.
- Quarterly "Household Computer and TV set" collection days, recycling over 340,000 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 special collection of old propane tanks; community residents dropped off over 1,300 old tanks for recycling.
- A month-long drop-off of old, unwanted hard cover and soft cover books during July. Representatives from local schools, libraries, and literacy organizations were invited to sort through the books and harvested thousands of editions for reuse as part of their educational, literacy, and community enrichment missions.
- 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 hundreds of 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.
- A two-day collection of confidential personal documents as part of a community "Shred-O-Rama". Three companies, including Confidata, Northeast Mobile Shredding, and Proshred, stationed their mobile shredding trucks at Shoppingtown Mall and shredded 34 tons of household and small business confidential papers for recycling.
- A special collection of old air conditioner units; over 900 air conditioners were dropped off and the Chlorofluorocarbons (CFCs) were safely removed (CFCs in the upper

The Onondaga County Soil & Water Conservation District's Earth Day collection included not only bags of litter but larger objects such as the road cone and a small riding vehicle.

Joyce Huda and Alice Massa of Fayetteville were among the thousands of homeowners who made use of the OCRRA compost sites from April through November.

Professionals for an outside vendor first identify chemicals and other nasty products before packing them for transport to an approved hazardous waste disposal facility.

This trommel screens out all particles larger than a half inch thus producing top quality compost. OCRRA compost customers have come to expect top shelf soil supplements from our two locations.

It required 49 different barrels to help quantify the types of trash we toss away. This overhead photo shows the workers discreetly separating each item.

Workers move quickly to unload harmful products at one of OCRRA's four household hazardous waste days. The average wait time is six minutes. Requiring reservations assures residents that they won't be standing in line for a long time. The process has been lauded by the thousands who have used this service at no charge to them.

OCRRA's Justin Rudgick helps load five gallon pails of latex paint that was collected during the household hazardous waste days and recycled to be used again. The recipients of the free paint are churches, non-profits, and governmental agencies.

Theresa Fey and Debra Gunter of the Veritas Home School Program inspect children's books dropped off at OCRRA's "second read" opportunity. Those not wanted were recycled into useful paper products.

atmosphere contribute to ozone depletion and heighten the "green house gas effect.").

- A year-long collection of 100,000 pounds of household batteries through both a network of convenient local drop off points, and a special month-long curbside collection of household batteries in July.
- OCRRA again coordinated the community's annual Earth Day clean up; over 5,000 volunteers collected 55 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 2005 in the county's Cleaner and Greener beautification effort.
- The Agency continued is 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 was part of numerous area events and fairs, including the Golden Harvest Festival at Beaver Lake Nature Center, The Home and Garden Show, and the New York State Fair. A variety of information materials was distributed including several 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 recycling services and programs for businesses, schools, and apartment building managers and owners.

OCRRA's Elaine Van Avery, a certified teacher, hands out Recycling Ranger badges to students at Most Holy Rosary School. Elaine's energized presentations were made to more than 12,000 students during the year.

Other significant achievements in 2005 by our community's recycling agency:

OCRRA was awarded a $325,000 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 2006 and 2007.

A vendor was selected to provide the community with 180,000 new curbside recycling bins over the course of the next three years. The bins have become an iconic symbol of the community's commitment to recycling excellence.

Businesses such as these workers for Wegmans supermarkets are an integral part of the annual success of OCRRA's Earth Day clean up.

A Case Study in Recycling Excellence

Ed Smith Elementary School in Syracuse's Westcott area is the first school in New York State to adopt an innovative conservation program called the Go Green Initiative (GGI). The program helps schools reduce their waste and increase their recycling rates, while using all resources more efficiently. Students, parents, teachers, and administrators are all uniting to make positive environmental changes on their own school campus. This goal is achieved through five program components: **G**enerate Compost, **R**ecycling, **E**ducation, **E**valuation and **N**ationalization, or GREEN.

Jasmine Williams, Shamecca DeJarnette, and Mykal Odom, 6th graders who collect bottles and cans throughout the school, display a Go Green tee shirt in front of the school's recycling progress chart. Since the beginning of this school year, Ed Smith has recycled over 6,000 pounds of paper, bottles, and cans.

Since the beginning of the school year in September 2005, the GGI program at Ed Smith program has progressed in leaps and bounds, with overwhelming support throughout the school community.

Chelle Naef, Go Green Initiative organizer and parent of a student at Ed Smith, reports that the Go Green program "got off to a great start in increasing recycling awareness in staff and students." From August 21, 2005, through the end of the year, staff and students recycled over 10,000 pounds of paper, cardboard, plastic bottles, metal cans, and glass.

Head Custodian Brian McGann is heading up the Recycling component. Despite an already hectic schedule, McGann and his custodial team have placed OCRRA's recycling bins in all classrooms and in strategic hallway locations. Student Council members have teamed up with the custodial staff and are meticulously collecting and weighing all the collected paper, as well as bottles and cans. Their data is then added to a massive chart posted outside the main office that shows the school's ever-growing recycling progress.

The Education component is working hard to get the word out about recycling, composting, evaluating the progress, and moving the initiative through the whole school community, including students' families. Many parents have noted their recycling habits at home have changed significantly as a direct result of their children's participation in the GGI. Recycling posters from OCRRA are posted throughout the school, serving as helpful reminders to students, administrators, and teachers about what materials should be recycled.

The Generate Compost component includes five classrooms that will gather food scraps from classrooms and the cafeteria for composting in a special compost globe. The finished compost will ultimately fertilize a garden plot at the school's Morningside Gardens.

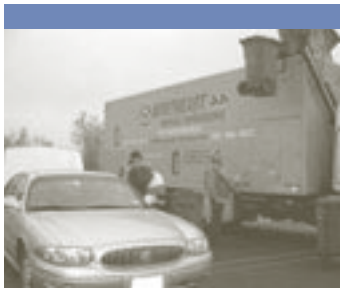
Tony Tolbert, Principal at Ed Smith is a big supporter of the Go Green Initiative. "When I see the excitement on the faces of two fifth graders demonstrating to me how our compost globe works, I know that we have chosen an important initiative to follow. Watching groups of sixth grade students dutifully collect recyclable materials on a weekly basis is yet another example of setting the stage for the future. And staff and parent ownership of various tasks and responsibilities associated with Go GREEN tells me that Edward Smith is in the right place at the right time to carry out this initiative."

Mark Naef, owner of Naef Recycling, has visited classrooms and done recycling demonstrations. A unique exercise he performs encourages students to dump their classroom trash cans on the floor and identify any recyclable items. This gives students a clear idea of how well they are doing and how they can improve their recycling efforts.

The school's parent teacher organization is collecting toner cartridges for a 'trash for cash' program and the Student Council is collecting returnable bottles.

To learn more about the Go Green initiative, visit the Go Green website at: www.gogreeninitiative.org.

Workers separate the water-based paint from the latex paint during Household Hazardous Waste Days. Only the latex can be recycled. Better than 2,000 gallons of the reprocessed paint were distributed to charitable and governmental groups.



OCRRA's annual Shred-O-Rama affords residents and small businesses the opportunity to swiftly and securely destroy everything from old tax returns to old love letters. Three vendors shredded more than 34 tons of paper, which was then recycled.

Workers screen the trash that was sorted as part of the waste study. Safety considerations were a priority throughout the course of the study.

OCRRA honored Solace Elementary School in Syracuse with the 2005 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 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 a 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 Facility. OCRRA paid $ 74,727 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 and newspaper ads, the production of flyers, and promotional materials.

✓ Published a quarterly newsletter, Operation Separation Update, distributed to over 50,000 residents per issue.

Wegmans employee Andrew Knight stands beside one of OCRRA's battery drop-off containers. Wegmans, a major supermarket chain in upstate New York, has supported the battery removal program by offering floor space at any of its convenient stores in the OCRRA service area.

✓ OCRRA's Enforcement Officers conducted regular random inspections of trash for recyclables at the Waste to Energy facility operated by Covanta Energy as well as curbside inspections for 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.

340,000 pounds of outdated electronic equipment was collected during the four computer/TV recycling days.

OCRRA's Jeff Cooper delivers high-end recycling containers to Syracuse's Clinton Square—the staging area for festivals, concerts, and other public events in the heart of the business district.

Post Standard columnist Jeff Kramer was fascinated with our compost site tub grinder. Kramer joined the operator and reported on the sights and sounds associated with transforming tree limbs into useable mulch.

Just a portion of the tires that are picked up by the more than 5,000 volunteers who donate their time and energy to OCRRA's Annual Earth Day clean up. Brought to the Ley Creek Transfer Station, they receive safe disposal.

Transfer Operations

During 2005, Transfer Operations continued to achieve its goals of safe and efficient operations at OCRRA's two Transfer Stations while maintaining excellent customer service. During the course of the year, drivers traveled over 590,000 accident free miles transporting ash residue and by-pass material to an out of county landfill, non-recyclable processible material to the Waste to Energy facility, and recovered metal and corrugated cardboard to appropriate recycling facilities. Customer comments continued to be favorable throughout the year. The popular flat-rate system at Ley Creek has contributed to less waiting time and better overall service to all customers.

Ley Creek Transfer Station

Construction & Demolition Debris and bulky Municipal Solid Waste (MSW) were received and processed at the Ley Creek Transfer Station in 2005. The total intake at the station was over 101,200 tons. This material was processed and separated by the transfer station workers for delivery to several different facilities. The Waste To Energy Facility received 80,167 tons of material from Ley Creek. In addition, 4,171 tons of scrap metal and corrugated cardboard were recovered and recycled. More than 154 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 58,373 including 36,771 Flat Rate customers. This represents a 77% increase in the number of vehicles utilizing the flat rate option at this facility. 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 service for all of our customers. The materials recovered from the Rock Cut Road Station in 2005 include more than 30 tons of items containing CFC refrigerant, 287 tons of scrap metal and 192 tons of corrugated cardboard, in addition to the recyclable materials collected in the recycling bins.

As was noted earlier in this report, the Rock Cut Road Transfer Station played a pivotal role in maintaining the curbside recycling program in the wake of the fire at the Recycle America Materials Recovery Facility (MRF). All residential curbside single –stream recyclables were delivered to the facility by the haulers which normally utilized the Recycle America MRF. These recyclables were then run through the old packer system and loaded into transfer trailers contracted by Recycle America. The recyclables were then transported to another MRF, again, contracted by Recycle America for proper handling and disposition.

In order to accomplish this task, the transfer station was closed to normal MSW scale traffic, which was diverted to Ley Creek. The small user

Bred Tenhave at the controls of the Agency's new excavator.

Ricky Carbone sorts out metal, such as this support stand, which is then recycled.

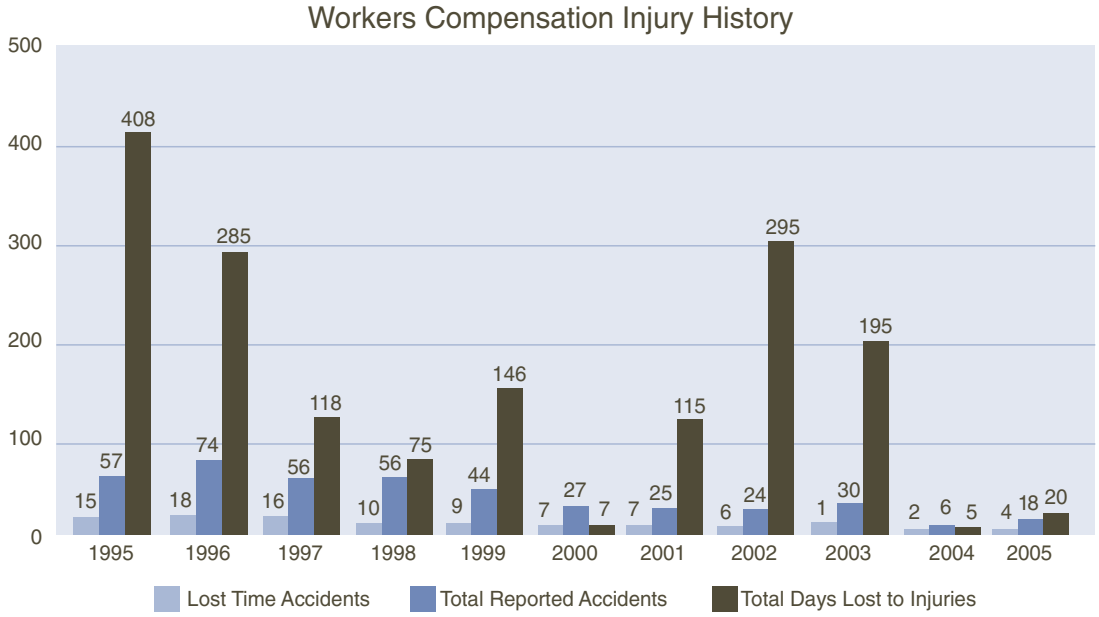
Heavy equipment is used to sort out materials. Last year, the workers recovered more than 4,000 tons of metal and corrugated cardboard.

Team members at the Rock Cut Road Transfer Station worked long hours and moved quickly to reload recyclables dropped on the deck area as OCRRA provided a stopgap response to the fire at Recycle America.

Machinery in motion. During the height of the construction season, trucks loaded with construction debris dance in between loaders and sweepers that clean the deck surface for new arrivals.

Ken Chamberlain assists customers at the temporary drop off site for recyclables and trash. It was relocated to the entrance area during the emergency period when the Rock Cut Road Transfer Station helped Recycle America following the fire that ravaged their plant.

Loader operator Louis Maldonado has been handling heavy equipment for close to two decades.



recycling area was relocated to the employee parking area and only recycling trucks were allowed in the rear of the building where these activities normally occurred. In addition, the Agency workers at Rock Cut Road, consistently worked twelve to fourteen hour days in order to accommodate the flow of recycling vehicles with minimum disruption. This effort continued through July 9, 2005 when Recycle America was able to resume limited operations in a temporary, leased facility.

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 2005, Agency drivers transported 92,815 tons of ash residue from the WTE facility to the landfill.

It must be noted that all this activity was conducted during one of the safest years this Agency has experienced regarding on the job accidents or injuries. The accompanying chart reflects the results from a continuous emphasis on creating the safest workplace possible.

The Transfer Operations team also assists the other departments within the Agency. Transfer workers always work with the recycling department on events including Household Hazardous Waste Day activities, Earth Day programs, battery recycling programs, Shred-a-thons, mercury thermometer collections, 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.

The front line in customer service

These cheery voices field phone calls and respond to customer requests. (L-R) Cheri Zajac prepares to mail out battery bags for the July collection, Marjorie Gladle's friendly manner sets a positive tone, and Rusty Spears happily directs folks to OCRRA's web site.

Waste To Energy

The Onondaga County Resource Recovery Facility completes its 11th full year of continuous, environmentally sound and financially stable operation, while producing enough electricity to satisfy the needs of 25,000 homes in Central New York. With the success of the facility converting non-recyclable waste into usable energy, and a nationally recognized recycling program achieving an overall community recycling rate of 66%, Onondaga County's solid waste management system has become one of the nation's finest.

2005 was another successful year for plant operation. Combusting more than 345,000 tons of non-hazardous, non-recyclable solid waste into 90,000 tons of inert ash yielded over 226,000,000 kilowatt hours of electricity. Another way to put this in perspective is to consider that to produce an equivalent amount of electricity through fossil fueled power plants, assuming typical plant efficiency, would have required 414,000 barrels of oil, 107,000 tons of coal, or 1.5 billion cubic feet (15 million therms) of natural gas.

All this was accomplished while the facility maintained full compliance with one of the most stringent air emissions permits of any Waste To Energy Facility in the country. In fact, many of the monitored emissions measured during the facility's required annual stack testing were less than their 10-year average, and continue to be observed at levels far below those associated with the facility's Health Risk Assessment. Similarly, the ash residue generated continues to remain a non-hazardous solid waste, as demonstrated through the facility's two semi-annual ash residue characterization tests. Since the ash has been classified as non-hazardous, it can receive safe disposal at a permitted sanitary landfill.

A major factor in the continued successful operation of the facility is the level of maintenance being provided by the plant operator. Review of routine plant operations and maintenance by both the Agency and its independent outside consultant confirms that the facility continues to be in very good condition after 11 years of continuous operation and continues to be maintained at high levels and consistent with industry standards. The Agency will continue to contract with specialized engineering firms to provide for periodic on-site facility inspections and also for observing air emissions and ash residue testing. The New York State Department of Environmental Conservation, the principal regulatory agency regarding the facility, found there were no non-compliance issues or concerns during its annual site inspection of the facility.

Of significance are the results of the annual air emissions and ash residue testing shown in the accompanying tables and graphs.

Stack testing results reflect the effectiveness of our efforts to both reduce mercury from the waste stream through battery removal and thermometer exchange programs as well as the exceptional performance in mercury removal by the air pollution control system. The same

2005 Ash Residue Characterization Test Results

OCRRA Ash Residue Characterization Semi-Annual Test Results — May 2005

Test Sample	Test Result (milligrams per liter)	Permit Limit	Pass or Fail
Cadmium	0.78	1.0	Pass
Lead	3.75	5.0	Pass

OCRRA Ash Residue Characterization Semi-Annual Test Results — December 2005

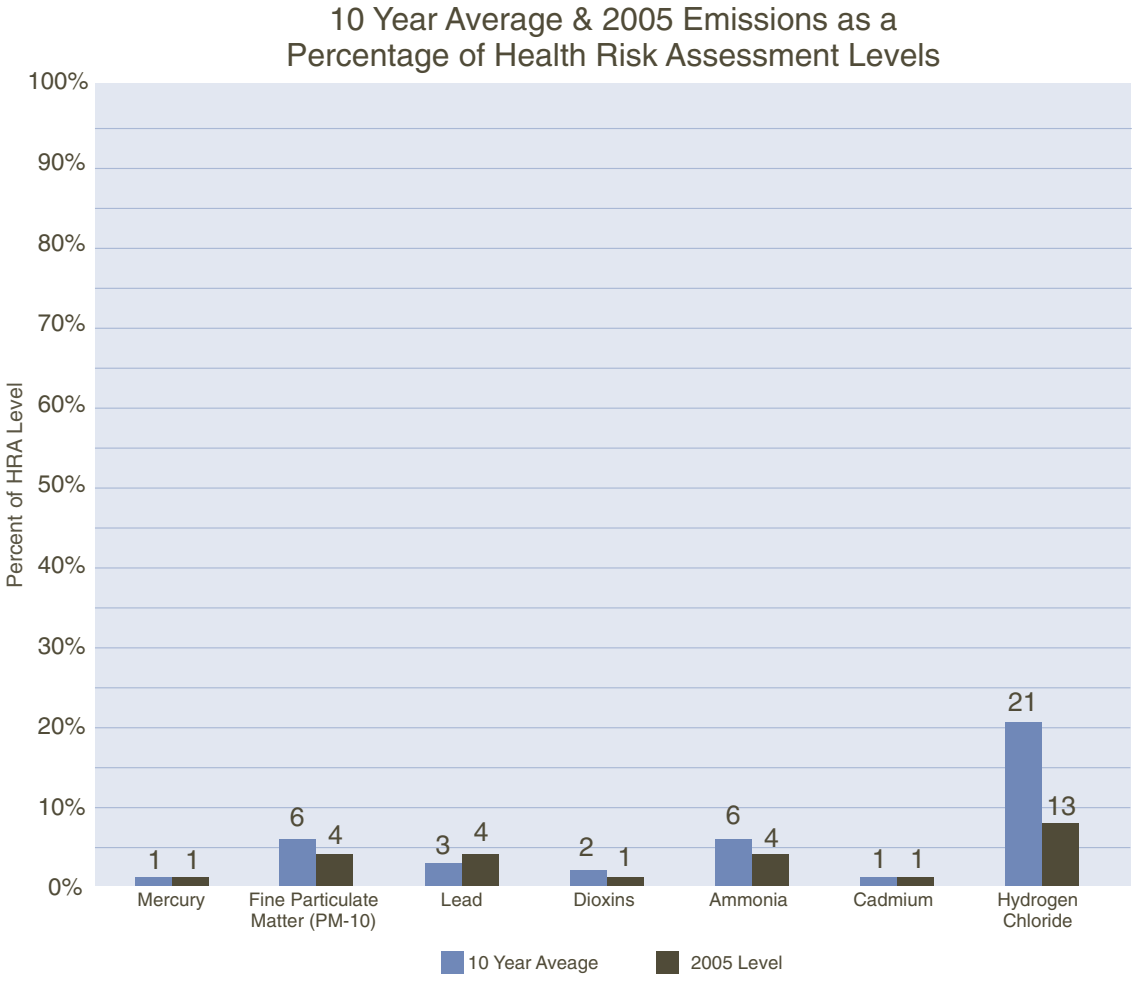
Test Sample	Test Result (milligrams per liter)	Permit Limit	Pass or Fail
Cadmium	0.32	1.0	Pass
Lead	0.32	5.0	Pass

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

superb performance is also reflected in the stack test results for removal of dioxins and furans. In addition, 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. Based on U.S. Environmental Protection Agency values, the Waste To Energy Facility in 2005 produced about 38,000 tons less greenhouse gases (carbon equivalent) than by landfilling an equal amount of municipal solid waste.

An excellent environmental track record, a reduction in long-term debt obligations, and an amended service agreement successfully negotiated in 2003. These elements, combined with a pacesetting recycling program, augers well for OCRRA at its strives to achieve its Vision that by 2010 OCRRA will be a world leader in local waste disposal and recycling solutions.

The Health Risk Assessment was a study prepared in September 1990 by public health experts. Its conclusions were the Waste To Energy Facility's projected emissions posed no unacceptable health risks during one's lifetime. The accompanying chart graphically demonstrates that the actual emissions covering the 10 year operating period as well as those for 2005 were only a fraction of what was deemed acceptable in the Health Risk Assessment.



2005 Annual Stack Test Results
(Regulatory Compliance)

Constituent	Average Measured Emissions			Permit Limit	Pass (P) or Fail (F)
	Unit 1	Unit 2	Unit 3		
Particulates (gr/dscf @ 7% O2)	0.00184	0.00131	0.00166	0.010	P
Particulates (mg/dscm)	4.22	2.99	3.80	27	P
Sulfur Dioxide (ppmdv @ 7% O2)	1.05	0.11	0.00	30	P
Sulfur Dioxide (lb/hr)	0.44	0.04	0.00	16.2	P
Nitrogen Oxides (ppmdv @ 7% O2)	159	167	178	180	P
Nitrogen Oxides (lb/hr)	48.9	46.8	55.6	58	P
Carbon Monoxide (ppmdv @ 7% O2)	5.76	3.05	6.61	45	P
Carbon Monoxide (lb/hr)	1.07	0.52	1.25	8.04	P
Polychlorinated Dibenzo-p-Dioxins and Furans					
(ng/dscm @ 7% O2) - Total	1.49	0.809	0.611	30	P
(ug/dscm @ 7% O2) - NY TEFs	1.54E-05	1.04E-05	8.66E-06	4.00E-04	P
(lb/hr) - NY TEFs	2.35E-09	1.52E-09	1.34E-09	1.29E-07	P
Hydrogen Chloride (ppmdv @ 7% O2)	2.02	4.00	3.74	25	P
Hydrogen Chloride (lb/hr)	0.50	0.918	0.896	5.24	P
HCl Removal Efficiency (%)	99.7	99.5	99.5	95 (min)	P
Ammonia (ppmdv @ 7% O2)	2.55	1.17	2.82	50	P
Ammonia (lb/hr)	0.295	0.124	0.315	4.88	P
Cadmium (mg/dscm)	3.30E-04	4.78E-04	7.97E-04	0.040	P
Cadmium (lb/hr)	5.43E-05	7.07E-05	1.26E-04	1.90E-03	P
Lead (mg/dscm)	0.00507	0.00929	0.0333	0.44	P
Lead (lb/hr)	8.29E-04	1.38E-03	5.26E-03	3.81E-02	P
Mercury (ug/dscm @ 7% O2)	2.14	5.26	7.37	28	P
Mercury (lb/hr)	3.54E-04	7.88E-04	1.18E-03	0.012	P
Mercury Removal Efficiency (%)	98.3	96.4	96.6	85 (min)	P
PM10 (gr/dscf @ 7% O2)	3.38E-04	3.11E-04	3.61E-04	0.010	P
PM10 (lb/hr)	0.134	0.110	0.137	3.16	P

Footnotes :
Test values as reported by Covanta Onondaga, L.P. and submitted to the NYSDEC for regulatory compliance
Values reported under Average Measured Emissions represent the average of 3 test samples per boiler combustion unit
Testing performed May 9-13, 2005
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
mg/dscm = milligrams (thousandth's of a gram) per dry standard cubic meter
all volumetric test results are reported at 7% oxygen (O2)
min = minimum permit limit percentage
E = test result expressed in scientific notation (base 10)

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Independent Auditor's Report

Members of the Board

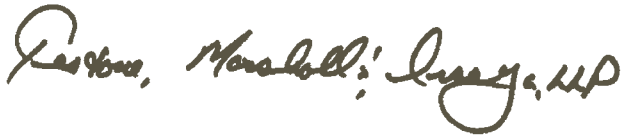
Onondaga County Resource Recovery Agency

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, 2005 and 2004 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, 2005 and 2004, 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.



February 6, 2006

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 2005 operating revenues increased 2.6% over the previous year.
- During 2004 operating revenues increased 4.5% over the previous year.
- During 2005 net assets increased by 9.5%.
- During 2004 net assets increased by 8.9%.

Agency Highlights

- Continued commitment to safety awareness and training resulted in a 61% decrease in lost workdays in comparison to 2004.
- The OCRRA Board, management and employees met frequently for several months in 2005 to develop a new Vision, Mission Statement and Core Values to take us into the future.
- One of only two private material recovery facilities in Onondaga County, processing nearly 100,000 tons of recyclables each year, burned to the ground in April 2005. Working cooperatively with this private vendor the Agency allowed for the temporary utilization of its Rock Cut Road station as a collection and transfer site for recyclables. This recyclables transfer began within less than forty eight hours of the fire and no community recyclables were trashed and no service to haulers was interrupted.
- New five year contracts were signed by contracted Haulers and Municipalities ensuring delivery of all municipal solid waste to the Agency system through 2010.
- Contracts were signed with the two Material Recovery Facilities servicing the OCRRA service territory in 2005. These five-year agreements provide guaranteed recyclable processing for residential materials allowing the Agency to maintain its environmental goals and meet regulatory recycling requirements.
- Use of ash from the Waste-to-Energy facility as comparable structural fill for landfill closure continued at Seneca Meadows, our ash disposal landfill, until the end of 2005 resulting in significant reductions in ash disposal costs.
- An Audit Committee was formed late in 2005; the Board revised the Whistleblower Policy and designated the Chairman of the Audit Committee to take the lead in investigating and resolving any communications resulting from the revised Policy. A Governance Committee was also formed to explore and recommend good governance practices.

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 $2,236,819. The Agency's total net assets were $25,784,995 and $23,548,176 on December 31, 2005 and 2004, respectively.

Table 1

	2005	2004
Current assets	$ 38,770,382	$ 36,924,705
Assets limited as to use	8,442,282	8,401,679
Property, plant and equipment - net	6,891,860	6,796,070
Bond issuance costs - net of accumulated amortization	1,169,668	1,294,996
Facility lease - net of current portion	87,763,634	95,806,554
Total Assets	143,037,826	149,224,004
Current liabilities	15,127,514	14,548,972
Long-term liabilities	102,125,317	111,126,856
Total Liabilities	117,252,831	125,675,828
Net Assets - Invested in Capital Assets	6,891,860	6,796,070
Unrestricted	10,450,853	8,350,427
Restricted	8,442,282	8,401,679
Total Net Assets	$ 25,784,995	$ 23,548,176

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 2005 and 2004.

Table 2

	2005	2004
Operating Revenues	$ 35,400,072	$ 34,492,357
Other Revenues	5,808,803	5,554,435
Total Revenues	41,208,875	40,046,792
Operating Expenses	35,245,806	34,122,138
Other Expenses	3,726,250	4,000,752
Total Expenses	38,972,056	38,122,890
Change in Net Assets	2,236,819	1,923,902
Net Assets - Beginning of Year	23,548,176	21,624,274
Net Assets - End of Year	$ 25,784,995	$ 23,548,176

The increase in the Agency's net assets in 2005 was due primarily to higher revenues from electric generation at the waste-to-energy facility combined with strong tonnage delivered to the system and excellent recycling markets.

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, 2005 Agency funds held by the trustee of $8,442,282 are recorded as Restricted under the Agency's Net Assets. These restricted assets increased by $40,603 during 2005 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 2005 operations will be made on May 1, 2006.

Budgetary Highlights

In 2005 the Agency had budgeted for a Subordinate Bond payment of approximately $1.65 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 $3.7 million and an increase in net assets of over $2 million.

Capital Assets

At the end of 2005 the Agency had $6.89 million invested in capital assets consisting primarily of two transfer stations and various pieces of operating equipment. During 2005 Property, Plant & Equipment, net increased by $95,790 which reflects acquisitions of approximately $680,000, retirements of approximately $340,000, and depreciation charges.

Table 3

	2005	2004
Land	$ 396,190	$ 396,190
Landfill site	3,749,591	3,749,591
Landfill site costs	195,760	195,760
Landfill buildings and improvements	626,314	626,314
Buildings and improvements	1,716,307	1,570,519
Machinery and vehicles	5,891,981	5,695,240
Furniture and fixtures	104,496	104,496
Computer equipment	282,353	269,133
Land improvements	68,799	68,799
Construction in progress - computers	-	35,094
Total property, plant and equipment	13,031,791	12,711,136
Less: Accumulated depreciation	6,139,931	5,915,066
Property, plant and equipment - net	$ 6,891,860	$ 6,796,070

Debt

During 2005 the Agency reduced outstanding senior lien revenue refunding bonds by $5,730,000 and a net reduction on the subordinate debt of $1,543,600.

The Agency will reduce Series 2003B bonds by $3,665,497 based on the 2005 operating surplus as calculated and made part of the restructured debt and service agreement. The Agency will make this reduction during 2006.

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 $24,638,000, including a Capital Charge of approximately $13,167,600 representing the portion of the Direct Finance Lease attributable to debt service principal and interest on the Series 2003A & B Bonds in 2005.

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 2006 OCRRA is projecting a net operating gain from its operations.

The 2006 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 2006 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.

2. **Retaining System Trash Tonnage**

   The signing of new five year contracts with the haulers and municipal partners ensures that OCRRA's tonnage retention and processing success in 2005 will be carried into 2006. The Budget for 2006 is built on the continuation of these critical partnerships 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. 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 2006 budget reflects the Agency's continued financial stability. During the 2005 Agency operations resulted in a $2,236,819 increase in net assets which marks a continuing improvement in financial stability.

4. **Examine Real Estate holdings**

   OCRRA has developed nationally recognized and award winning programs to meet the dynamic changes in what the community discards. The Agency recognizes that real estate limitations are a most pressing problem to continued service and program growth at OCRRA. $100,000 in capital funds has been earmarked over the next two years to examine, and possibly begin expansion or replacement activities for our current real estate assets.

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, 2005 and 2004

ASSETS

	2005	2004
CURRENT ASSETS:		
Cash and cash equivalents	$ 23,298,365	$ 23,811,306
Accounts receivable (net of an allowance for bad debts of $50,000 and $25,000 in 2005 and 2004, respectively)	5,555,743	3,435,974
Prepaid expenses and other receivables	235,777	440,171
Facility lease, current portion (NOTE 5)	9,680,497	9,237,254
Total current assets	38,770,382	36,924,705
ASSETS LIMITED AS TO USE:		
Investments held by trustee under indenture (NOTE 3)	8,442,282	8,401,679
PROPERTY, PLANT AND EQUIPMENT, net (NOTE 4)	6,891,860	6,796,070
BOND ISSUANCE COSTS, net (NOTE 1)	1,169,668	1,294,996
FACILITY LEASE, net of current portion (NOTE 5)	87,763,634	95,806,554
TOTAL	$ 143,037,826	$ 149,224,004

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Bonds payable - Series A, current portion (NOTE 6)	$6,015,000	$5,730,000
Bonds payable - Series B, current portion (NOTE 6)	3,665,497	3,507,254
Deferred revenue, current portion	1,164,612	1,164,612
Accounts payable	3,416,266	3,271,726
Accrued interest	593,042	640,792
Accrued expenses and other current liabilities	273,097	234,588
Total current liabilities	15,127,514	14,548,972
LONG-TERM LIABILITIES:		
Bonds payable - Series A, net of current portion (NOTE 6)	65,150,000	71,165,000
Bonds payable - Series B, net of current portion (NOTE 6)	27,270,215	29,092,142
Deferred revenue, net of current portion	9,705,102	10,869,714
Total liabilities	117,252,831	125,675,828
NET ASSETS:		
Invested in capital assets	6,891,860	6,796,070
Unrestricted	10,450,853	8,350,427
Restricted	8,442,282	8,401,679
Total net assets	25,784,995	23,548,176
TOTAL	$143,037,826	$149,224,004

See Notes to Financial Statements

Statement of Revenues, Expenses and Change in Net Assets

For the Year Ended December 31, 2005 and 2004

	2005	2004
OPERATING REVENUES:		
Tipping fees	$ 19,821,571	$ 20,478,549
Electric revenue	14,094,762	12,577,926
Other	1,483,739	1,435,882
Total operating revenues	35,400,072	34,492,357
OPERATING EXPENSES:		
Personal services	4,249,696	4,187,323
Contractual services:		
Landfill contracts	2,442,865	2,627,430
Other contractual services	467,875	416,721
Materials and supplies	418,708	313,903
Professional fees	96,620	139,780
Recycling and composting	410,919	247,437
Hazardous waste disposal	170,127	209,371
Repairs and maintenance	196,854	118,383
Utilities	120,659	113,902
Insurance	266,319	243,133
Operating leases	58,495	97,177
Depreciation and amortization	690,151	672,957
Taxes and other payments to Host Communities	311,291	313,433
Other	707,262	470,712
Waste-to-Energy operations cost (NOTE 5)	24,637,965	23,950,476
Total operating expenses	35,245,806	34,122,138
OPERATING INCOME	154,266	370,219
OTHER REVENUE (EXPENSE):		
Interest income - cash and repurchase agreements	285,279	95,354
Interest income - nonsystem	632,662	360,015
Interest income - lease receivable	3,726,250	4,000,752
Interest expense	(3,726,250)	(4,000,752)
Loss on disposal of property	-	(66,298)
Gain on refunding of long-term debt	1,164,612	1,164,612
Other revenue - net	2,082,553	1,553,683
INCREASE IN NET ASSETS	2,236,819	1,923,902
NET ASSETS - BEGINNING OF YEAR	23,548,176	21,624,274
NET ASSETS - END OF YEAR	$ 25,784,995	$ 23,548,176

See Notes to Financial Statements

Statement of Cash Flows

For the Year Ended December 31, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from tipping fees	$ 19,608,506	$ 19,922,577
Receipts from electric revenue	12,188,058	12,594,133
Other operating receipts	1,483,739	1,435,882
Payments to vendors and suppliers	(5,052,741)	(4,637,285)
Payments to employees	(3,429,056)	(3,457,028)
Payments for Waste-to-Energy (WTE) Operations	(11,470,366)	(11,263,136)
Payments for insurance and employee benefits	(1,048,450)	(990,755)
Net cash provided by operating activities	12,279,690	13,604,388
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments on bonds outstanding	(9,235,356)	(5,220,000)
Purchase of property, plant and equipment	(660,613)	(455,805)
Payments for interest on bonds outstanding	(3,774,000)	(4,283,754)
Net cash utilized in capital and related financing activities	(13,669,969)	(9,959,559)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(40,603)	(5,003,065)
Proceeds from interest on invested funds	917,941	455,369
Net cash provided (utilized) by capital and related financing activities	877,338	(4,547,696)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(512,941)	(902,867)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	23,811,306	24,714,173
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 23,298,365	$ 23,811,306
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 154,266	$ 370,219
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	690,151	672,958
Provision for bad debt expense	25,000	5,306
WTE operations used to reduce lease costs	13,167,599	12,687,340
Changes in operating assets and liabilities:		
Accounts receivable	(2,144,769)	(545,071)
Prepaid expenses and other current assets	204,394	(50,133)
Accounts payable and accrued expenses	183,049	463,769
Total adjustments	12,125,424	13,234,169
Net cash provided by operating activities	$ 12,279,690	$13,604,388

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:
The Agency recognized a gain of $1,164,612 in 2005 and 2004 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 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, 2005 and 2004 includes $3,152,000 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, 2005 and 2004 amounted to $281,987 and $156,659, 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.

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, 2005 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, 2005.

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 Interstate Commerce. U.S. Supreme Court certiorari was denied and the case was returned to the Federal District Court for the Northern District of New York to take testimony on the local benefit vs. commerce impact issue. On March 24, 2005, the Federal District Court judge ruled that the local law did not place undue burden on interstate commerce and dismissed the waste haulers' suit. The decision was appealed to the Second Circuit Court of Appeals and, on February 16, 2006 that court affirmed the District Court in its finding that the Oneida-Herkimer flow control laws do not place an undue burden on Interstate Commerce and are, thus constitutional. 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, 2005 and 2004:

	2005	2004
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.	$ 1,815,938	$ 1,636,058
Funds accumulated from system revenues to pay for debt service obligations of the Subordinate Lien Revenue Refunding Bonds (2003B Series)	3,665,497	3,507,254
Accumulation of earnings from system revenues to satisfy general Agency obligations	2,960,847	3,258,367
Total	$ 8,442,282	$ 8,401,679

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment activity for the year ended December 31, 2005 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	195,760	-	-	195,760
Landfill buildings and improvements	626,314	-	-	626,314
Buildings and improvements	1,570,519	145,788	-	1,716,307
Machinery and vehicle	5,695,240	520,687	323,946	5,891,981
Furniture and fixtures	104,496	-	-	104,496
Computer equipment	269,133	29,261	16,041	282,353
Land improvements	68,799	-	-	68,799
Construction in progress	35,094	-	35,094	-
Total property, plant and equipment	12,711,136	695,736	375,081	13,031,791
Less: Accumulated depreciation	5,915,066	564,823	339,958	6,139,931
Property, plant and equipment - net	$ 6,796,070	$ 130,913	$ 35,123	$ 6,891,860

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.

5. FACILITY LEASE AND SERVICE AGREEMENT (CONT'D)

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:

	2005	2004
Operating and pass through costs	$ 10,792,585	$ 10,431,872
Additional waste processing fee	677,781	831,264
Capital charge	13,167,599	12,687,340
Total	$ 24,637,965	$ 23,950,476

Future minimum annual lease payments due from the Partnership are as follows at December 31, 2005:

YEAR ENDING DECEMBER 31,	AMOUNT
2006	$ 13,450,997
2007	9,790,875
2008	9,790,750
2009	9,789,375
2010	9,786,000
Thereafter	103,193,615
Total future minimum lease payments	155,801,612
Unearned income	58,357,481
Net investment in lease	97,444,131
Current portion	9,680,497
Long-term portion	$ 87,763,634

The payments due for the year ending December 31, 2006 include approximately $3,665,000 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.

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:		$ 5,900,419
Add:	Depreciation	564,823
	Amortization	125,328
Deduct:	Gain on Refunding	(1,164,612)
	Interest income - non-system	(632,662)
	Miscellaneous revenue	(35,375)
Contractually defined surplus		4,757,921
Series B Share		77%
	Current Year Liability	3,663,599
	Prior Year Liability	1,898
Bonds Payable – Series 2003B, current portion		$ 3,665,497

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, 2005 and 2004.

Activity relative to Bond debt for the year ended December 31, 2005 was as follows:

	Balance at December 31, 2004	Additions	Reductions	Balance at December 31, 2005
Senior Lien Revenue Refunding Bonds	$ 76,895,000	$ -	$ 5,730,000	$ 71,165,000
Subordinate Lien Revenue Refunding Bonds	32,599,396	1,841,672	3,505,356	30,935,712
Total	$ 109,494,396	$ 1,841,672	$ 9,235,356	$ 102,100,712

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:

YEAR ENDING DECEMBER 31,	INTEREST	PRINCIPAL
2006	$ 3,770,500	$ 6,015,000
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
2011-2014	5,919,750	33,235,000
2015	259,125	4,635,000
Total	$ 21,826,375	$ 71,165,000

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 preceding years were:

YEAR ENDED DECEMBER 31,	AMOUNT
2005	$ 321,767
2004	343,514
2003	139,456

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 retirees during 2005 and 2004 was approximately $30,000 and $25,000, 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 operating leases. Rental payments under these agreements were approximately $58,000 and $97,000 during 2005 and 2004, respectively. Obligations under all cancelable and noncancelable long-term operating leases are as follows at December 31, 2005:

YEAR ENDING DECEMBER 31,	AMOUNT
2006	$ 75,534
2007	74,784
2008	74,784
2009	74,784
2010	74,784
Thereafter	12,464
Total	$ 387,134

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 $2,366,243 and $2,546,176 during 2005 and 2004, 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 $44,000 and $43,561 in 2005 and 2004, respectively. The Agency also made payments of approximately $132,000 and $135,000 in 2005 and 2004, for Fire District assessments. The Agency anticipates similar payments will be made in 2006.

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 2005 and 2004, 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 is the project ultimately moves forward. At the close of calendar year 2005, 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.

10. RECLASSIFICATION

Certain amounts reported at December 31, 2004 have been reclassified to reflect information and assumptions existing at December 31, 2005. These reclassifications had no effect on the change in net assets or net assets as previously reported.

OCRRA MANAGEMENT

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