

Onondaga County Resource Recovery Agency Annual Report 2009

Recycling your junk mail each day
does a *mountain* of good.

Through the simple act of recycling, one person can make a big difference. Just place your newspapers, junk mail, magazines and other papers in an OCRRA blue bin to help conserve trees and create a brighter future for those who need it most.

Save the world a little each day.

See how at





Mark Donnelly
OCRRA Chairperson

Report From the Chair

OCRRA's Core Values reflect the desire to carry out environmental stewardship with honesty and integrity, while providing excellent customer service and community relations to the public.

One of the many ways we live out these values is through the collaborative direction of our 15 member Board of Directors. 2009 saw large turnover on the Board. OCRRA welcomed six new members to our ranks: Jeff DeRoberts, Roger Eidt, Lee Klosowski, Minch Lewis, Mike Reilly and Richard Smardon. Many thanks to our current Board members for their dedication to the cause, and especially to Bob Ripberger, who has served the community for almost 15 years while on the OCRRA Board.

As a whole, the Board spent considerable time and effort balancing program values and available resources, such that OCRRA could continue to serve the community, while remaining fiscally responsible.

Under the Board, and specifically the Greenhouse Gas Committee's tutelage, OCRRA rolled out a new program in 2009, to help businesses recycle more and recognize those who display outstanding efforts. To date, the *Blue Ribbon Recycler* program has highlighted over 31 distinguished business recyclers.

This program, as well as OCRRA's new public education campaign entitled, "Save the world a little each day," helped bring Onondaga County's recycling rate to 68 percent in 2009! As the new public education slogan indicates, every little bit of recycling one does really adds up over time and collectively, our positive impact on the environment is huge.

Our community learns how and what to recycle in many different ways, one of which is through OCRRA's comprehensive website. There residents can sign up online for events including Household Hazardous Waste Drop-Off Days and the Earth Day Litter Clean-Up; they can utilize the site search function to get specifics on how to recycle specialty items, as well as learn what items go in the blue bin. Businesses can apply for the Blue Ribbon Recycler program and even order recycling supplies for their company at www.OCRRA.org. The site also offers transparency through the posting of Board meeting minutes, as well as annual Recycling and Waste-to-Energy reports.

In 2009, the website was also a means for the community to *interact* with OCRRA through our "Recycling Kid Contest." Knowing that people are motivated to recycle because it helps preserve the planet for our children, we embarked on a county-wide search for "OCRRA Recycling Kids," or children to be featured in television and print ads. Eleven children were selected, from almost 100 kids, based on their photo and essay submissions. Each was prominently featured in ads that thanked the community for recycling. The children's involvement reminded us that with all the changes that occurred in 2009, Onondaga County has many reasons to continue doing a stellar job with recycling.

Report From the Executive Director

A memorable television commercial currently asks if 2009 will be remembered as the Great Depression, or the depression that makes us great. OCRRA experienced a large dose of negative economic flux in 2009. Strong financial reserves, combined with debt restructuring safety valves installed in 2003, allowed OCRRA to weather the economic storm of 2009.

And what an economic storm it was. In the span of several weeks from late 2008 to early 2009, all of OCRRA's major revenue sources plunged. Most precipitous was an over fifty percent reduction in the market price of electricity sold. Trash tonnage fell by ten percent. Recycled metal prices went from decade highs in August 2008 to decade lows by February 2009. As we questioned whether interest rates on savings could go any lower, they only continued to drop. Every market fluctuation that relates to revenue at OCRRA turned sour, to the tune of a staggering loss of \$4.5 million for the year.

In the years 2004 through 2008, OCRRA grew its reserves to over twenty-five million dollars. The use of saved reserves to sustain operations, rather than grow, catalyzed changes that we must continue to embrace. Every expense category was examined and reduced if possible. OCRRA reduced hours and days of operation at all of its Transfer Stations. We asked vendors to revisit contracts, and where possible, cost reductions were implemented. Our longtime landfill partner helped us implement the use of our (always non-hazardous) ash residue as daily landfill cover, and as a result, we each are better off. Where possible, the Board restored fees for special service items such as the recycling of electronics and certain appliances. Normal attrition created position vacancies, which remained unfilled. Most importantly, the work team handled the changes skillfully, even as the economics dictated a somber hold on all wage growth.

The 2010 Budget was created with the same worst-case revenues as 2009 actuals, driving difficult, but productive discussions on how savings could be generated in fuel expenses, public education investment, interest on debt service, and by foregoing all but the most critical capital expenditures - to name but a few items from the many that were slashed.

The impacts of dealing with the ever-growing burden of electronic wastes also refocused OCRRA's thoughts on economics. Why are local, government solid waste programs hampered with expensive recycling costs to remove so-called e-waste? E-waste continues to grow as product life becomes ever shorter; environmentally friendly design is far down the list of product manufacturers' goals, since they rarely incur even a fraction of the rapidly ballooning end of life costs. OCRRA has selected the path of changing New York and challenging it to join the twenty other states that mandate product stewardship for electronics, rather than simply allow local ratepayers to eat the costs associated with proper disposal.

2009 also saw OCRRA invest in the very long-term interests of our community. With a key purchase of property that came on the open market, OCRRA completed a landfill site acquisition, which had been in the works for over two decades. We hope to never break ground but rather utilize this permitted asset in the near future for other endeavors; however, if landfill markets change and capacity dissipates, OCRRA will continue to serve this community with an environmentally sound, highly efficient, safe, and innovative solid waste solution. There will be changes always, but OCRRA will endure the economic climate of the day to serve well into the future.



Tom Rhoads
Executive Director

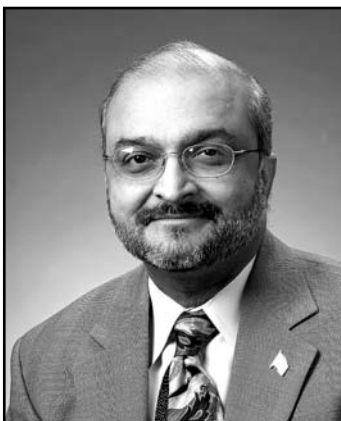
Volunteer Board of Directors



Mark Donnelly
*OCRRRA Board Chair
Governance Committee Chair
Facilities and Contracts Manager
Carrier Corporation*



Jake Barrett
*OCRRRA Board Vice Chair
Asset Manager
Catholic Charities of Onondaga County*



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*OCRRRA Treasurer
President
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*Attorney at Law
DeRoberts Law Firm*



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Construction Manager (retired)
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Executive Program Director
Citizens Campaign for
the Environment*



Jonathan Kelley
*Operations Committee Chair
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Velasko Concepts, Inc.*

Volunteer Board of Directors



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Onondaga County*



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Dannible & McKee, LLP*



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*Carrier Corporation
(retired)*



Richard Smardon, Ph.D.
*Professor
Department of Environmental Studies
SUNY ESF*

Recycling

In 2009, local residents, businesses, and schools continued their extraordinary commitment to “Save the World a Little Each Day,” through outstanding efforts to recycle and reduce waste. Working together with OCRRA, our community realized a number of significant environmental victories, including the following:

- Saved over 1 million metric tons of carbon dioxide equivalents (MTCO₂E) from being emitted by recycling over 550,000 tons of material. This is equivalent to taking 185,000 passenger vehicles off the road.
- Celebrated, after an 8-year effort, an expanded New York State “Bottle Bill” that now includes water bottles; thanks to thousands of residents signing petitions and contacting their state representatives.
- Engaged over 11,000 volunteers in one of the largest Earth Day litter clean-up events in the country, resulting in over 135,000 pounds of litter removed from local parks and roadways.

Over 550,000 Tons of Material Recycled in 2009

Recycling and composting generate environmental benefits beyond resource conservation and energy savings. In 2009, Onondaga County residents, schools, and businesses recycled over 550,000 tons of material, saving over 1 million metric tons of carbon dioxide equivalents (MTCO₂E) from being emitted. This is equivalent to taking 185,000 passenger vehicles off the road.¹

Each year, the entire community pitches in to this waste reduction effort. For example:

- Over 100 schools throughout Onondaga County strove to achieve new levels of recycling excellence by having students, custodians, and all administrators work together and sign on to the School Recycling Pledge.
- Residents dropped off over one million pounds of old computers and TVs to OCRRA’s Community Collection Center for recycling and material recovery. Since starting the collection effort in 2002, OCRRA has



Brothers Jamie and Chris Plumley show off a truckload full of litter they collected in LaFayette during OCRRA’s 2009 Earth Day Litter Clean-Up.



Tom Ferguson, an OCRRA employee, prepares shark meat for composting at the Amboy Compost Site. Over 10,000 pounds of the expired fish meat were processed into nutrient-rich compost as part of OCRRA’s food waste pilot project. The material was managed without odor problems!

kept over three million pounds of old electronics out of the waste stream. These materials can be laden with heavy metals, including lead, cadmium, and mercury; recycling these consumer products helps keep our environment clean and safe for future generations.

- Over 280 tons of commercial food waste was composted at OCRRA's Amboy site, including food waste from the New York State Fair vendors and local "zero waste" community events, and over 12,000 pounds of shark meat! OCRRA's goal: compost thousands of yards of food waste from groceries, hotels, restaurants, hospitals and schools by 2015.

Bigger Better Bottle Bill Passed by New York State Legislature

OCRRA has engaged in an 8-year effort urging the New York State Legislature to expand the Bottle Bill to include water bottles in the 5-cent deposit system. Thousands of local residents signed OCRRA's petitions and contacted their state legislators in support of this environmental legislation. Thanks to the grassroots effort locally, and across NY State, the law was finally expanded in 2009. The result: literally tons more

bottles will be recycled, there will be less dependence on foreign oil to make new plastic containers, and there will be fewer beverage containers littering our neighborhoods. All thanks to concerned residents who supported more recycling and cleaner communities.

Earth Day Litter Clean-Up Attracts Over 11,000 Volunteers

In 1991, OCRRA began coordinating our community's annual Earth Day Litter Clean-Up event. In that first year, some 400 enthusiastic volunteers cleaned up a few thousand pounds of litter. Some 18 years later, over 11,000 volunteers cleaned up over 137,000 pounds of litter, including hundreds of old, abandoned tires; the 2009 event was the largest in OCRRA history. Volunteer groups included schools, Girl and Boy Scout troops, community and neighborhood groups, and local businesses. To date, over 1.5 million pounds of litter have been removed thanks to these volunteers.

To learn more, please visit www.OCRRA.org!

¹ Calculated using USEPA's Greenhouse Gas Equivalencies Calculator at: www.epa.gov/RDEE/energy-resources/calculator.html



Dereth Glance, board member and chair of the OCRRA recycling committee, delivers supporting commentary on the Bigger Better Bottle Bill at SUNY ESF. Thousands of residents showed their support of the bottle bill expansion by signing petitions at various OCRRA events. After an eight-year effort, the bill, which adds a five-cent deposit to water bottles, was passed into law in 2009.

Transfer Operations

The economic climate had a very strong impact on OCRRA's Transfer Operations in 2009. Due to historically low volumes of MSW and Construction and Demolition Debris, several cost-cutting measures were instituted to mitigate the effects of lower than anticipated revenues.

In response to customer requests for longer Saturday operating hours at the Rock Cut Road Transfer Station customer drop-off area, we changed the work schedule for that station. Instead of traditional full day operations Monday through Friday with a half day on Saturday, it became a Tuesday through Saturday workweek with full day operations on all five days. In addition to responding to our customers' desires, this change in schedule led to a significant reduction in overtime costs by converting Saturday to a regular workday.

The comprehensive Safety Training we provide to our employees, which has been proven to be instrumental in lowering our Workers Compensation Insurance Premium, was also conducted utilizing less overtime than in past years, due to the lower level of activity at our facilities.

Once again, our drivers demonstrated their skill and safety consciousness by traveling nearly 560,000 miles without a motor vehicle accident in 2009. We commend them for their safety efforts and professionalism while performing their duties. Lost-time accidents at the Transfer Stations were also maintained at low levels.

The new scale house at the Ley Creek Transfer Station was completed in early 2009, replacing the old facility, which had been in use since 1993. In addition, some needed repairs to the main building roof and support



Walter Lindsey, one of OCRRA's many safety-conscious drivers, prepares to transport ash residue from the Waste-to-Energy Facility to Seneca Meadows Landfill in Waterloo, NY. Our drivers traveled nearly 560,000 miles without a motor vehicle accident in 2009.

columns were completed to ensure the safety of our customers and staff.

An integral part of the aforementioned repairs to the main building was the replacement of several panels of the steel roof with translucent panels. This was done to increase the amount of natural light entering the building to enable us to use less artificial lighting and thereby reduce our energy usage and costs.

We look forward to continuing our excellent safety and customer service traditions in the future, and will continue to explore every avenue toward reducing our costs of operation, without sacrificing those tenets.

It is with great sorrow that OCRRA mourns the loss of Mitch Stewart. Mitch served the Agency for 30 years and will be sadly missed.



The trash compactor in full operation at the Ley Creek Transfer Station in Liverpool. Compacting C&D material minimizes the number of loads OCRRA hauls for final disposal, which minimizes greenhouse gas emissions.



Dick Madden of Pompey Center unloads recyclable cardboard at the Rock Cut Road Transfer Station. Amongst the many changes in 2009 was the expansion of Saturday hours at the Rock Cut Road Transfer Station. This change was as a result of customer requests; the revised work schedule there helped trim overtime costs.

Energy from Waste

In the late 1980s and early 1990s, OCRRA carefully evaluated the alternatives for managing the non-hazardous, non-recyclable trash generated by the local community. The alternatives considered back then are the same alternatives that exist today – namely landfilling and waste-to-energy (WTE), neither without environmental impacts. In abiding by OCRRA's mission to provide the community with environmentally sound, highly efficient, safe, and innovative solutions, OCRRA embarked on the construction of a \$148 million WTE facility. In 1995 the Onondaga County WTE Facility became operational.

Today, after 15 years of operation, it continues to be an integral part of OCRRA's solid waste management system, or perhaps more aptly termed, OCRRA's resource recovery system. About 47% of materials that could go to the WTE Facility are removed for recycling. The remaining non-recyclable portion goes to the WTE Facility, which uses a mass burn combustion system to safely and efficiently convert non-hazardous, non-recyclable trash into steam. The steam is then used to generate electricity that is sold to National Grid. Ferrous and non-ferrous metals that would otherwise have gone to a landfill are recovered at the WTE Facility for recycling. The by-product of the combustion

process is a non-hazardous ash residue, which is about 10% of the original volume of the trash processed at the Facility. The ash residue is sent to a landfill for final disposal or used as alternative daily cover. A state-of-the-art air pollution control system is integrated onto the Facility so that it may comply with one of the strictest air permits in the nation, meeting all federal and state emissions requirements. Emissions from the Facility are carefully monitored through continuous emissions monitors (CEMs) and annual stack testing.

2009: Waste-to-Energy by the Numbers

Despite a difficult financial year with historically low trash tonnages and historically low prices for electricity and metal, the Facility maintained its strong operational track record. In 2009, it processed 319,136 tons of non-hazardous, non-recyclable waste (enough to overfill the Syracuse Carrier Dome) and, in doing so, generated 227,258 megawatt hours of electricity – enough to power approximately 28,700 households and the Facility itself. The Facility's metal recovery systems recovered 9,752 tons of ferrous metal and 454 tons of non-ferrous metal for recycling. 79,743 tons of non-hazardous ash residue (25% of the original trash weight) were sent to the landfill for disposal or were used as alternative daily cover.



The Waste-to-Energy Facility located off Route 481 in Jamesville, is where Onondaga County's non-recyclable trash is converted into energy; proceeds from the energy sale help fund OCRRA's recycling programs.

The 2009 stack testing results show that the Facility continues to perform strongly, even after 15 years of operation. All parameters met the corresponding air permit limits, with the majority of results around an order of magnitude below the corresponding permit limit (see table and chart). Again, for the fifteenth year, the ash residue testing indicated that the ash residue should be managed as a non-hazardous waste.

Although the combustion process at the WTE Facility generates carbon dioxide, there are avoided greenhouse gas emissions associated with WTE due to the prevention of landfill methane emissions, the displacement of electricity that would otherwise have been generated using fossil fuels, and the recovery of metals for recycling. Ultimately, when the greenhouse gas emissions are netted, there is an overall reduction in greenhouse gases – generally about one ton of greenhouse gas emissions are avoided per ton of trash processed. In 2009, approximately 319,136 tons of carbon dioxide were avoided, which is the equivalent of taking about 55,000 cars off the road.

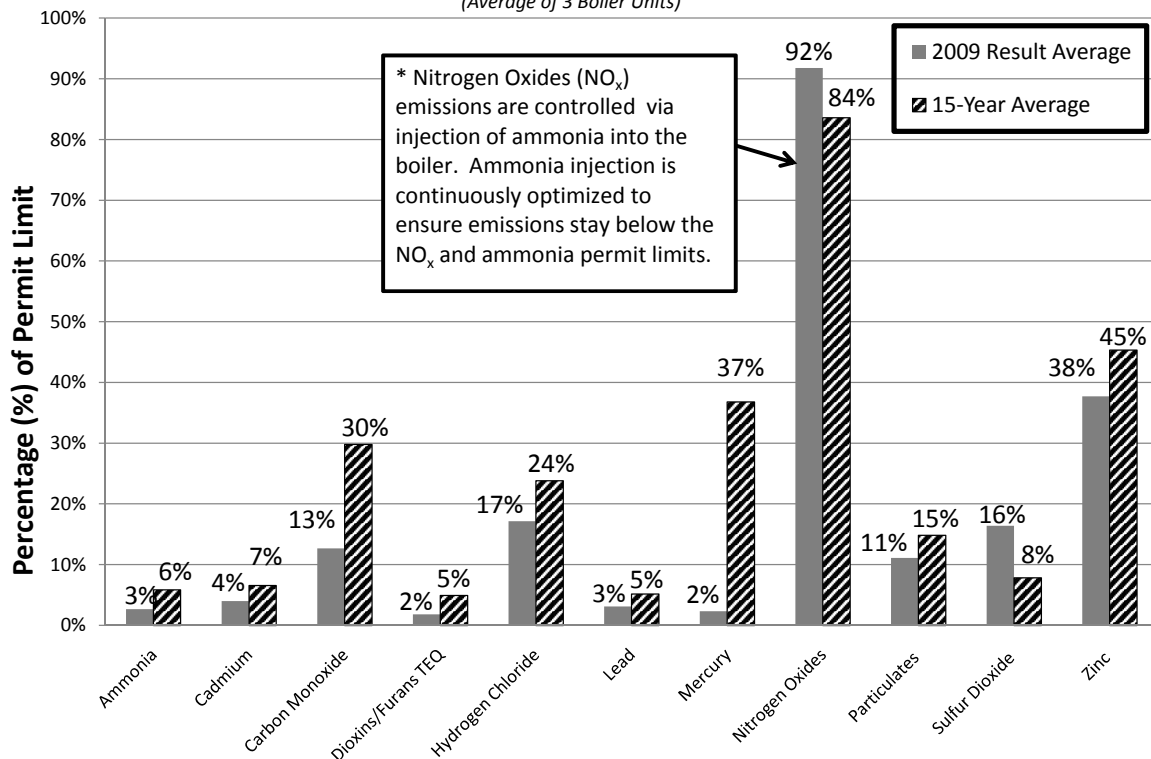
Waste-to-Energy: Part of the Energy Solution

As the United States looks for alternatives to reduce its dependence on fossil fuels, it continues to be the case that there is no silver bullet. Wind, solar, geothermal, hydroelectric, and biomass are the current renewable energy alternatives, yet combined they only account for about 9-10% of the total U.S. electricity generation. Coal power continues to provide 44-48% of total U.S. electricity generation, while natural gas and nuclear provide approximately 22% and 20%, respectively.

Currently, WTE accounts for about 0.4% of total U.S. electricity generation; however, WTE has the potential to offset approximately 2.5% to 5% of the current coal-fired generation capacity. In order to significantly reduce dependence on fossil fuels, the U.S. needs a diverse portfolio of energy alternatives. Based on its greenhouse gas benefits, low emissions (as compared to coal-fired electricity and landfill-gas-to-energy), and its ability to replace up to 5% of the current coal-fired generation capacity, WTE is well suited to be part of America's energy solution.

Long-Term Facility Average vs. 2009 Test Results

(Average of 3 Boiler Units)



ONONDAGA COUNTY WTE FACILITY 2009 ANNUAL STACK TEST RESULTS

	Constituent	Average Measured Emissions ¹			Permit Limit ²	Pass/Fail? P/F	
		Unit 1	Unit 2	Unit 3			
TESTED ANNUALLY	FEDERAL	Cadmium (mg/dscm @ 7% O ₂)	5.37E-04	5.93E-04	3.55E-04	3.50E-02	P
		Cadmium (lb/hr)	7.95E-05	9.09E-05	5.71E-05	1.90E-03	P
		Carbon Monoxide (lb/hr)	9.40E-01	9.80E-01	1.14E+00	8.04E+00	P
		Dioxins/Furans (ng/dscm @ 7% O ₂)	2.45E-01	1.17E+00	2.96E+00	3.00E+01	P
		Hydrogen Chloride (ppmdv @ 7% O ₂)	1.90E+00	3.60E+00	5.79E+00	2.50E+01	P
		Hydrogen Chloride (lb/hr)	4.14E-01	8.71E-01	1.41E+00	5.24E+00	P
		Hydrogen Chloride Removal Efficiency (%)	99.7	99.5	99.3	>=95	P
		Lead (mg/dscm @ 7% O ₂)	8.72E-03	9.55E-03	4.73E-03	4.00E-01	P
		Lead (lb/hr)	1.30E-03	1.47E-03	7.62E-04	3.81E-02	P
		Mercury (lb/hr)	1.10E-04	< 9.99E-05	< 6.98E-05	4.00E-03	P
		Nitrogen Oxides (lb/hr)	4.91E+01	5.49E+01	5.57E+01	5.80E+01	P
		Particulates (gr/dscf @ 7% O ₂)	1.38E-03	9.59E-04	9.93E-04	1.00E-02	P
		PM ₁₀ (gr/dscf @ 7% O ₂)	2.11E-04	4.08E-04	2.63E-04	1.00E-02	P
		PM ₁₀ (lb/hr)	7.90E-02	1.51E-01	1.03E-01	3.16E+00	P
		Sulfur Dioxide (lb/hr)	1.91E+00	3.85E+00	2.20E+00	1.62E+01	P
STATE	Ammonia (ppmdv @ 7% O ₂)	1.00E+00	5.42E-01	2.02E+00	5.00E+01	P	
	Ammonia (lb/hr)	1.02E-01	6.09E-02	2.28E-01	4.88E+00	P	
	Dioxins/Furans-2,3,7,8 TCDD TEQ (ng/dscm @ 7% O ₂)	2.45E-03	1.09E-02	3.01E-02	4.00E-01	P	
	Dioxins/Furans-2,3,7,8 TCDD TEQ (lb/hr)	4.18E-10	1.74E-09	4.86E-09	1.29E-07	P	
	Mercury (µg/dscm @ 7% O ₂)	7.42E-01	< 6.28E-01	< 4.34E-01	2.80E+01	P	
	Mercury Removal Efficiency (%)	99.5	> 99.5	> 99.6	>=85	P	
	Zinc (lb/hr)	8.36E-03	7.53E-03	5.37E-03	1.88E-02	P	

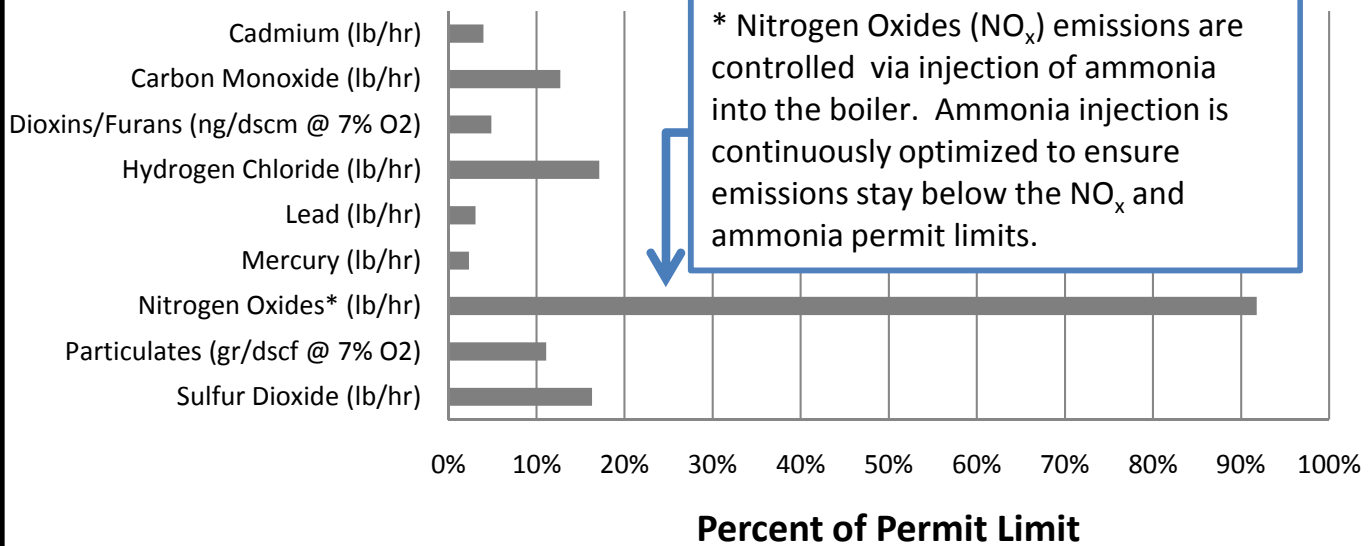
UNITS:

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

NOTES:

¹ Based on three test runs
² NYSDEC Title V Permit #7-3142-00028/00009 - Draft Renewal

Results from 2009 Stack Testing



2009 ASH RESIDUE CHARACTERIZATION TEST RESULTS

Semi-Annual Test Results - May 2009

Constituent	Test Result	Permit Limit	Pass or Fail
Cadmium	0.73 mg/L	1 mg/L	Pass
Lead	0.55 mg/L	5 mg/L	Pass

Conclusion

*Ash residue does NOT exhibit a hazardous characteristic.
As such, it should continue to be managed as a non-hazardous solid waste.*

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

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HELPING OUR CLIENTS'
VISIONS ADD UP

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Onondaga County Resource Recovery Agency ("OCRRA") as of and for the years ended December 31, 2009 and 2008 as listed in the table of contents. These financial statements are the responsibility of OCRRA'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 revenues, 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, 2009 and 2008, 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.

In accordance with Government Auditing Standards, we have also issued our report dated March 1, 2010, on our consideration of OCRRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

The management's discussion and analysis and the schedule of funding progress are not required parts of the financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.


March 1, 2010
Syracuse, New York

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

ANALYSIS OF FINANCIAL POSITION

One of the most important questions asked about the OCRRA's finances is "*Is OCRRA, as a whole, better off or worse off as a result of the year's activities?*" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about OCRRA's activities in a way that will help answer this question. These two statements report the net assets of OCRRA and changes in them. You can think of OCRRA'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 OCRRA'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.

OCRRA's total net assets decreased from last year by \$4,522,098. OCRRA's total net assets were \$27,200,224 and \$31,722,322 on December 31, 2009 and 2008, respectively.

Table 1

	2009	2008
Current Assets	\$ 34,254,724	\$ 37,578,468
Assets limited as to use	2,385,328	9,590,170
Property, plant and equipment - net	8,876,993	7,752,936
Bond issuance costs - net of accumulated amortization	668,356	793,684
Facility lease - net of current portion	66,002,013	69,358,701
Total Assets	\$ 112,187,414	\$ 125,073,959
	2009	2008
Current Liabilities	\$ 12,519,734	\$ 14,484,994
Long-term liabilities	72,467,456	78,866,643
Total Liabilities	84,987,190	93,351,637
Net Assets - Invested in Capital Assets	8,876,993	7,752,936
Unrestricted	15,937,903	14,379,216
Restricted	2,385,328	9,590,170
Total Net Assets	\$ 27,200,224	\$ 31,722,322

Changes in OCRRA's net assets can be determined by reviewing the following condensed Statement of Revenues, Expenses and Changes in Net Assets for the years 2009 and 2008.

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

ANALYSIS OF FINANCIAL POSITION (CONT'D)

Table 2

	2009	2008
Operating Revenues	\$ 27,983,587	\$ 36,517,980
Other Revenues	4,121,146	5,094,265
Total Revenues	<u>32,104,733</u>	<u>41,612,245</u>
Operating Expenses	34,162,124	37,305,113
Other Expenses	2,464,707	2,803,876
Total Expenses	<u>36,626,831</u>	<u>40,108,989</u>
Change in Net Assets	(4,522,098)	1,503,256
Net Assets – Beginning of Year	31,722,322	30,219,066
Net Assets – End of Year	<u>\$ 27,200,224</u>	<u>\$ 31,722,322</u>

The decrease in OCRRA's net assets in 2009 was due primarily to the collapse of the energy markets at the end of 2008 resulting in a 50% (\$6.9 million) decrease in electric revenues compared to 2008. Other contributing factors from the recession included the collapse of the scrap metal markets, precipitous decline in interest rates and reduced waste generation as consumption declined.

OCRRA'S FUNDS

OCRRA does not utilize Funds or Fund Accounting. OCRRA maintains funds on deposit with a Trustee as required by contractual obligations entered into as part of OCRRA restructuring as detailed in the financial statements. As of December 31, 2009, OCRRA funds held by the trustee of \$2,385,328 are recorded as Restricted under the OCRRA's Net Assets. These restricted assets decreased by \$7,204,842 during 2009 due to the Indenture of Trust agreement between OCRRA and U.S. Bank National Association (the Trustee) that requires OCRRA operating surpluses to be maintained on deposit with the Trustee until any necessary payments are made on the Subordinate Bonds. As there was no operating surplus in 2009 there will be no payment on the Subordinate Bonds and restricted assets decreased accordingly.

Budgetary Highlights

OCRRA's 2009 adopted budget was based on historical assumptions that proved to be inconsistent with the global collapse and depression that began in late 2008 and continued throughout 2009. While the 2009 budget predicted a modest \$1.3 million increase in net assets for the year, the end result was a decrease of \$4.5 million. The majority of the OCRRA's operating expenditures are fixed, and although cut by \$1.2 million from the previous year they were unable to fully mitigate the \$8.5 million loss of revenues.

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

OCRRA'S FUNDS (CONT'D)

Capital Assets

At the end of 2009 OCRRA had \$8.9 million in capital assets consisting primarily of two transfer stations and various pieces of operating equipment. During 2009 Property, Plant & Equipment, net increased by approximately \$1,124,000 which reflects acquisitions of \$1,550,000 and retirements and depreciation charges of \$426,000.

Debt

During 2009 OCRRA reduced outstanding senior lien revenue refunding bonds by \$6,980,000 and a net increase on the subordinate debt of \$6,610 consisting of a May 1, 2009 payment on the subordinate debt of \$2,012,112 and accreted interest for the year of \$2,018,722.

OCRRA will not reduce the Series 2003B bonds in 2010 based on the 2009 operating deficit as calculated and made part of the restructured debt and service agreement.

Direct Finance Lease

In December 1992 OCRRA 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 \$21,892,000, including a Capital Charge of approximately \$9,503,000 representing the portion of the Direct Finance Lease attributable to debt service principal and interest on the Series 2003A & B Bonds in 2009.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2010 Budget develops the revenue and expense requirements to continue OCRRA's efforts to provide sound environmental solid waste disposal solutions to our community while recognizing the economic realities of the current recession.

OCRRA operates in a highly complex contractual business setting with rigid regulatory oversight. Its waste disposal infrastructure was very expensive to site and construct, leading to high fixed costs of operation. Budgets are designed around historic waste levels. For the years 2004 through 2008 these normally predictable amounts of trash, recyclables, energy revenues and recovered material values tracked consistently with the past decade. Every once in a while those historic assumptions are graphically challenged by unsentimental economics.

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONT'D)

In planning for 2010 OCRRA took the most conservative position that the current economic recession would be prolonged and deep. As a result every operational and capital expense was put under the microscope for comprehensive review. Revenues for 2010 were driven by conservative budget estimates. Although OCRRA engaged a professional firm to forecast energy revenues, OCRRA considered it prudent to budget for a less than robust economic recovery. Energy prices for 2010 are budgeted at 3.5 cents per kilowatt-hour instead of the 6 cents recommended by the forecasting firm. As a result the 2010 budget is closed with the use of \$4.5 million from OCRRA's reserves.

2010 may again be a year of considerable flux. If revenues rebound additional cuts will be unnecessary and some cuts in the 2010 Budget may be restored. Minor fee changes were implemented to help fund program services. Fees are being increased, or restored, for compost, microwaves, and small C&D customers. The five year hauler agreement includes a two dollar per ton trash tipping fee increase in 2010.

OCRRA has adequate reserves to weather even a prolonged recession. Yet by necessity difficult times drive change. Should conditions improve, or get worse, OCRRA will consider case by case program reviews to provide high levels of environmental performance with watchful stewardship of public service fees and reserves.

CONTACT REGARDING THE AGENCY'S FINANCES

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

(Concluded)

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF NET ASSETS
DECEMBER 31, 2009 AND 2008

ASSETS	<u>2009</u>	<u>2008</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 23,304,067	\$ 25,038,332
Accounts receivable (net of an allowance for bad debts of \$50,000 in 2009 and 2008)	1,670,752	1,701,041
Electric revenue receivable	697,877	776,571
Grants receivable	-	75,000
Other receivables	65,789	8,098
Accrued interest receivable	187,852	336,223
Prepaid expenses	998,387	651,091
Facility lease, current portion (NOTE 5)	<u>7,330,000</u>	<u>8,992,112</u>
Total current assets	<u>34,254,724</u>	<u>37,578,468</u>
ASSETS LIMITED AS TO USE:		
Investments held by trustee under indenture (NOTE 3)	2,385,328	9,590,170
PROPERTY, PLANT AND EQUIPMENT, net (NOTE 4)	8,876,993	7,752,936
BOND ISSUANCE COSTS, net (NOTE 1)	668,356	793,684
FACILITY LEASE, net of current portion (NOTE 5)	<u>66,002,013</u>	<u>69,358,701</u>
TOTAL	<u>\$ 112,187,414</u>	<u>\$ 125,073,959</u>

LIABILITIES AND NET ASSETS

	2009	2008
CURRENT LIABILITIES:		
Bonds payable - Series A, current portion (NOTE 6)	\$ 7,330,000	\$ 6,980,000
Bonds payable - Series B, current portion (NOTE 6)	-	2,012,112
Deferred revenue, current portion	1,164,612	1,164,612
Accounts payable	3,319,511	3,598,521
Accrued interest	376,666	434,834
Accrued expenses and other current liabilities	328,945	294,915
Total current liabilities	12,519,734	14,484,994
LONG-TERM LIABILITIES:		
Bonds payable - Series A, net of current portion (NOTE 6)	37,870,000	45,200,000
Bonds payable - Series B, net of current portion (NOTE 6)	29,338,828	27,320,106
Other postemployment benefits (NOTE 8)	211,974	135,271
Deferred revenue, net of current portion	5,046,654	6,211,266
Total liabilities	84,987,190	93,351,637
NET ASSETS:		
Invested in capital assets, net of related debt	8,876,993	7,752,936
Unrestricted	15,937,903	14,379,216
Restricted	2,385,328	9,590,170
Total net assets	27,200,224	31,722,322
TOTAL	\$ 112,187,414	\$ 125,073,959

See Notes to Financial Statements

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
OPERATING REVENUES:		
Tipping fees	\$ 19,572,968	\$ 19,996,019
Electric revenue	6,614,551	13,505,510
Recovered material revenue	965,781	2,248,870
Grant revenue	372,003	319,915
Other	458,284	447,666
Total operating revenues	27,983,587	36,517,980
OPERATING EXPENSES:		
Personal services	4,897,824	4,745,472
Contractual services:		
Landfill contracts	2,917,656	3,149,132
Other contractual services	251,135	374,557
Materials and supplies	537,630	936,520
Professional fees	133,054	110,941
Recycling and composting	521,503	488,530
Hazardous waste disposal	185,786	164,601
Repairs and maintenance	127,772	191,057
Utilities	156,598	157,178
Insurance	189,622	191,886
Operating leases	176,442	180,151
Depreciation and amortization	1,207,056	1,041,409
Taxes and other payments to Host Communities	332,379	332,393
Other	636,160	740,319
Waste-to-Energy operations cost (NOTE 5)	21,891,507	24,500,967
Total operating expenses	34,162,124	37,305,113
OPERATING LOSS	(6,178,537)	(787,133)
OTHER REVENUE (EXPENSE):		
Interest income - cash and repurchase agreements	24,588	170,054
Interest income - non-system	377,755	841,533
Interest income - lease receivable	2,464,707	2,803,878
Interest expense	(2,464,707)	(2,803,876)
Gain on sale of machinery and equipment	89,484	114,188
Gain on refunding of long-term debt	1,164,612	1,164,612
Other revenue - net	1,656,439	2,290,389
INCREASE (DECREASE) IN NET ASSETS	(4,522,098)	1,503,256
NET ASSETS - BEGINNING	31,722,322	30,219,066
NET ASSETS - END	\$ 27,200,224	\$ 31,722,322

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from tipping fees	\$ 19,603,257	\$ 20,228,299
Receipts from electric revenue	6,693,245	14,113,236
Other operating receipts	1,813,377	3,039,653
Payments to vendors and suppliers	(6,602,120)	(6,940,063)
Payments to employees	(3,944,432)	(3,830,688)
Payments for Waste-to-Energy (WTE) operations	(12,388,623)	(12,984,605)
Payments for insurance and employee benefits	(1,032,582)	(1,073,285)
Net cash provided by operating activities	4,142,122	12,552,547
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments on bonds outstanding	(8,992,112)	(8,676,842)
Proceeds from the sale of machinery and equipment	89,484	114,188
Purchase of property, plant and equipment	(2,205,785)	(827,730)
Payments for interest on bonds outstanding	(2,523,530)	(2,859,250)
Net cash utilized in capital and related financing activities	(13,631,943)	(12,249,634)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in investments	7,204,842	(1,522,651)
Proceeds from interest on invested funds	550,714	1,100,463
Net cash provided by (utilized in) investing activities	7,755,556	(422,188)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,734,265)	(119,275)
CASH AND CASH EQUIVALENTS - BEGINNING	25,038,332	25,157,607
CASH AND CASH EQUIVALENTS - END	\$ 23,304,067	\$ 25,038,332

(Continued)

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (6,178,537)	\$ (787,133)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	1,207,056	1,041,409
WTE operations used to reduce lease costs	9,502,884	11,516,362
Other postemployment benefits expense	76,703	67,768
Changes in operating assets and liabilities:		
Accounts receivable	30,289	232,280
Other receivables	96,003	630,928
Prepaid expenses	(347,296)	(46,219)
Accounts payable and accrued expenses	(244,980)	(102,848)
Total adjustments	<u>10,320,659</u>	<u>13,339,680</u>
Net cash provided by operating activities	<u>\$ 4,142,122</u>	<u>\$ 12,552,547</u>

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:

The Agency recognized a gain of \$1,164,612 in 2009 and 2008 related to the deferred gain on refunding of long-term debt.

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

OCRRA was statutorily created in 1981 as a public benefit corporation under New York State law. OCRRA's purpose was to implement the County's multi-faceted solid waste management plan. OCRRA began active operations in 1990.

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

Measurement Focus and Basis of Accounting

OCRRA operates as a proprietary fund. Proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net 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.

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

OCRRA's policy is 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 of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

In the statements of cash flows, cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. They consist of certificates of deposit and money market funds.

(Continued)

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash and Cash Equivalents (Cont'd)

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

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

Accounts Receivable

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

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, 2009 and 2008 amounted to \$783,299 and \$657,971, respectively.

Property, Plant and Equipment

Property, plant and equipment over \$5,000 are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets which range from 4 to 25 years.

Deferred Revenue

In connection with OCRRA's 2003 refunding of its debt (see Note 6), the facility lease was modified (see Note 5) resulting in a gain that has been deferred and will be reflected in revenue over the term of the lease.

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Assets Limited as to Use

Assets limited as to use represent funds restricted as to use under OCRRA'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 their use either by (1) external groups such as creditors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- 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

OCRRA has secured the required permit for the construction of an in-county landfill to be located in the Town of Van Buren (the "Landfill"). Currently, OCRRA transports the ash from the Waste-to-Energy Facility and other non-recyclable waste that cannot be processed at the facility to the 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 OCRRA decide to transport waste to the Landfill, OCRRA is required to accrue a portion of the estimated total of closure and postclosure care in each period that waste is accepted at the site. Recognition of such a liability shall begin on the date the Landfill begins accepting waste. As of December 31, 2009 there has been no waste delivered to the Landfill.

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Federal Income Taxes

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

Concentration

The top four haulers combined delivered approximately 69% of the total municipal solid waste to OCRRA during the year ended December 31, 2009.

Environmental and Regulatory Risk

OCRRA 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 Onondaga County Solid Waste Management System (the "System") has implemented a multi-layer "flow control" arrangement to ensure that all legal means of requiring delivery of waste into the System are utilized. First, OCRRA has "delivery agreements" with all 33 participating municipalities in Onondaga County. Those "delivery agreements" commit each municipality to "deliver or cause the delivery" of municipal solid waste ("MSW") from their community to the System. Most of the residential MSW is delivered to the System pursuant to municipal pick-up, municipally contracted pick-up, and solid waste districts, implemented in accordance with the "delivery agreements". In addition, in 2000 - 2001, all 33 municipalities enacted approved, in-state waste site designation laws committing delivery of all of their MSW to the System, if the MSW is to be disposed of within the State. Also, in 2003, the Onondaga County Legislature enacted a local "flow control" law, based closely on the language and criteria found in the Oneida-Herkimer Law that directed all municipal solid waste in the 33 participating municipalities to OCRRA's public Waste-To-Energy Facility. This type of arrangement was reviewed and deemed Constitutional by the U.S. Supreme Court in its April, 2007 Oneida-Herkimer case. Finally, OCRRA has, as additional security, entered into five-year delivery contracts directly with all of the area's trash haulers, wherein they have contractually committed through 2010 to deliver all MSW picked up in the 33 participating municipalities to the System.

(Continued)

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

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:

	<u>2009</u>	<u>2008</u>
Funds to pay principal, interest and sinking fund payments on the Senior Lien Revenue Refunding Bonds (2003A Series) to the extent that funds are not otherwise available in other designated funds	\$ 62,645	\$ 48,527
Funds accumulated from System revenues to pay for debt service obligations of the Subordinate Lien Revenue Refunding Bonds (2003B Series)	1,583,698	1,586,135
Accumulation of earnings from System revenues to satisfy general OCRRA obligations	738,985	7,955,508
Total	<u>\$ 2,385,328</u>	<u>\$ 9,590,170</u>

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 396,190	\$ -	\$ -	\$ 396,190
Landfill site	3,749,591	104,699	-	3,854,290
Landfill site costs	195,760	-	-	195,760
Landfill buildings and improvements	621,425	-	-	621,425
Buildings and improvements	1,817,948	596,175	-	2,414,123
Machinery and vehicles	6,131,259	1,465,082	757,383	6,838,958
Furniture and fixtures	137,967	-	-	137,967
Computer equipment	180,659	-	74,736	105,923
Leasehold improvements	411,198	15,812	-	427,010
Land improvements	68,799	-	-	68,799
Construction in progress	57,057	135,855	111,839	81,073
Total property, plant and equipment	<u>13,767,853</u>	<u>2,317,623</u>	<u>943,958</u>	<u>15,141,518</u>
Less accumulated depreciation	<u>6,014,917</u>	<u>1,081,727</u>	<u>832,119</u>	<u>6,264,525</u>
Property, plant and equipment, net	<u>\$ 7,752,936</u>	<u>\$1,235,896</u>	<u>\$111,839</u>	<u>\$ 8,876,993</u>

OCRRA collects rental income and incurs maintenance on certain properties which are located on OCRRA's landfill site.

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

5. FACILITY LEASE AND SERVICE AGREEMENT

In 1992, OCRRA issued Project Revenue Bonds for the purpose of constructing a Waste-to-Energy Facility (the "Facility") and funding certain reserves and other related costs. Pursuant to various agreements, Covanta Onondaga, L.P. (the "Partnership") also funded certain project costs and constructed the Facility. OCRRA leased the Facility and equipment to the Partnership under a long-term lease expiring May 1, 2015 with the Partnership having the option to purchase the Facility for \$1.

In 2003, OCRRA and the Partnership negotiated new lease and service agreements as part of OCRRA'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 OCRRA to the Facility.

All revenues of the Facility, which include rates, fees, charges and other realized income received by OCRRA 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 OCRRA as a result of an event of default by the Partnership, the Partnership is required to pay OCRRA \$1,000,000 plus the lesser of OCRRA's actual damages arising from the Event of Default and Termination of the Agreement and the Maximum Liability Cap on the date of termination.

OCRRA's obligation is unconditional and requires payment by OCRRA if there is no waste delivered; OCRRA remains responsible for debt service until the 2003A Bonds are repaid.

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

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009 AND 2008**

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, OCRRA must reimburse the Partnership the shortfall in its share of the electric revenue. For delivery in excess of that amount, OCRRA will pay an additional waste processing fee.

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

	<u>2009</u>	<u>2008</u>
Operating and pass through costs	\$ 12,206,308	\$ 12,183,047
Additional waste processing fee	182,315	801,558
Capital charge	<u>9,502,884</u>	<u>11,516,362</u>
Total	<u>\$ 21,891,507</u>	<u>\$ 24,500,967</u>

Future minimum annual lease payments due from the Partnership are as follows at December 31, 2009:

<u>YEAR ENDING DECEMBER 31,</u>	<u>AMOUNT</u>
2010	\$ 9,499,500
2011	9,503,375
2012	9,498,375
2013	9,503,750
2014	9,503,250
Thereafter	<u>46,114,652</u>
Total future minimum lease payments	93,622,902
Unearned income	<u>20,290,889</u>
Net investment in lease	73,332,013
Current portion	<u>7,330,000</u>
Long-term portion	<u>\$ 66,002,013</u>

No payment is due for the year ending December 31, 2009 pursuant to the satisfaction of the Series 2003B Bonds (see Note 6).

6. BONDS PAYABLE

In 2003, OCRRA 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.

(Continued)

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

6. BONDS PAYABLE (CONT'D)

In order to secure the 2003A Bonds, OCRRA has pledged all revenues of the System (operating revenues), which include all rates, fees, charges, and other realized income received by OCRRA 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 OCRRA under the Lease Agreement (Note 5) 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 OCRRA'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 OCRRA's normal operations.

Decrease in net assets prior to computation of current obligation on 2003B Bonds:	\$ (4,522,098)
Add: Depreciation	1,081,728
Amortization	125,328
Capital overage	49,288
Deduct: Gain on refunding	(1,164,612)
Interest income - non-system	(377,755)
Gain on sale of machinery and equipment	<u>(89,484)</u>
Contractually defined surplus (deficit)	(4,897,605)
Series B Share	<u>77%</u>
Current year liability	<u>\$ -</u>

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

(Continued)

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

6. BONDS PAYABLE (CONT'D)

Activity relative to bonds payable for the year ended December 31, 2009 was as follows:

	<u>Balance at December 31, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2009</u>
Senior Lien Revenue Refunding Bonds	\$52,180,000	\$ -	\$6,980,000	\$45,200,000
Subordinate Lien Revenue Refunding Bonds	<u>29,332,218</u>	<u>2,018,722</u>	<u>2,012,112</u>	<u>29,338,828</u>
Total	<u>\$81,512,218</u>	<u>\$2,018,722</u>	<u>\$8,992,112</u>	<u>\$74,538,828</u>

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

<u>YEAR ENDING DECEMBER 31,</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2010	\$ 2,169,500	\$ 7,330,000
2011	1,798,375	7,705,000
2012	1,408,375	8,090,000
2013	998,750	8,505,000
2014	568,250	8,935,000
2015	<u>115,875</u>	<u>4,635,000</u>
Total	<u>\$ 7,059,125</u>	<u>\$ 45,200,000</u>

Covenants require OCRRA to impose charges sufficient to pay debt service, enforce certain contractual obligations that assure continued flow of Onondaga County waste into the System, prepare annual budgets and maintain proper books and records, and to furnish appropriate financial information to the Trustee on an annual basis. These bonds are not actively traded and therefore a market value is not readily available.

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009 AND 2008**

7. RETIREMENT PLANS

Pension Plan

OCRRA participates in the New York State and Local Employees' Retirement System (the "Retirement System"), which is a cost sharing, multiple public employer defined benefit plan. The Retirement System provides retirement benefits as well as death and disability benefits. Membership in and annual contributions to the Retirement System are required by the New York State Retirement and Social Security Law (NYSRSSL). The Retirement 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 Retirement System. The Comptroller shall adopt and may amend rules and regulations for the control of the funds. The Retirement 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 Retirement 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 Retirement System. The Retirement 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 OCRRA from employees' paychecks and are sent currently to the Retirement System.

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

<u>YEAR ENDED DECEMBER 31,</u>	<u>AMOUNT</u>
2009	\$ 246,691
2008	263,151
2007	289,870

Deferred Compensation Plan

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

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009 AND 2008**

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

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

Funding Policy

Eligible employees who retire from employment between the ages of 55 and 61 may waive their COBRA rights and continue their health insurance benefits (exclusive of dental coverage) by paying the full cost of the coverage. As of January 1, 2007, these employees at age 62 may continue coverage until they become Medicare eligible by paying 25% of the coverage. Once these employees are eligible for Medicare they lose their coverage and receive payments equal to \$50 per month until their death.

Annual Pension Cost and Net Pension Obligation

OCRRA's annual pension cost and net pension obligation to the plan for the current year were:

Annual required contribution	\$ 78,073
Contributions made	<u>(1,370)</u>
Increase in net OPEB obligation	76,703
Net OPEB obligation – beginning of year	<u>135,271</u>
Net OPEB obligation – end of year	<u>\$ 211,974</u>
Annual OPEB cost	\$ 78,073
Percentage of annual OPEB cost contributed	1.75%

(Continued)

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

The annual required contribution for the current year was determined as part of the January 1, 2007 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included 4.0% investment rate of return (net of administrative expenses), an annual healthcare cost trend rate of 10% and a prescription drug trend rate of 12%, reduced by decrements to an ultimate rate of 5% after eight years. All rates include a 3.25% inflation assumption. The remaining amortization period at December 31, 2009 was two years.

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

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of sharing of costs between OCRRA and plan members to that point. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Additional Information

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Amortization Period	Single Amortization Period
Amortization Period (in years)	5.00
Amortization Period Status	Open
Method used to determine Actuarial Value of Assets	N/A

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009 AND 2008**

9. COMMITMENTS AND CONTINGENCIES

Operating Leases

OCRRA leases equipment and office facilities under operating leases. Rental payments under these agreements were approximately \$150,000 and \$180,000 during 2009 and 2008, respectively. Obligations under all cancelable and non-cancelable long-term operating leases are as follows at December 31, 2009:

YEAR ENDING DECEMBER 31,	AMOUNT
2010	\$ 107,000
2011	20,000
2012	5,000
2013	5,000
2014	5,000
Thereafter	38,000
Total	<u>\$ 180,000</u>

Landfill Contracts

OCRRA 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. Costs incurred under this agreement were \$2,849,000 during 2009. OCRRA has extended the contract with Seneca Meadows Landfill through May 2011. The per ton incinerator ash residue disposal charge will range from \$21 to \$30, and the per ton solid waste/bypass solid waste disposal charge will range from \$31 to \$40, over the term of the extended contract.

Host Community Agreements

OCRRA 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.

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

9. COMMITMENTS AND CONTINGENCIES (CONT'D)

OCRRA 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 Host Community Interim Agreement was extended pursuant to an automatic renewal provision through the year 2012.

OCRRA recorded PILOT's to Van Buren in the amount of \$47,623 and \$46,693 in 2009 and 2008, respectively. OCRRA also made payments of approximately \$132,000, and \$138,000 in 2009 and 2008, for fire and water district assessments. OCRRA anticipates similar payments will be made in 2010.

Property Stabilization

In 1997, OCRRA approved a property stabilization program to assist a limited number of property owners who live immediately adjacent to the landfill site. Payments under the plan make up a portion of the difference between the fully assessed value of a property and the actual sales price. In 2009 and 2008, no such payments were made.

Litigation

OCRRA is a party to various 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 OCRRA. OCRRA's defense counsel continues to vigorously contest these proceedings.

10. NATIONAL GRID AGREEMENT

OCRRA 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 January 7, 2009, and at market rate thereafter. National Grid and OCRRA have established the upper limit for the agreement at 243,000,000 kwh. In 2009 OCRRA received an annual average sale price of 3.718 cents per kilowatt hour.

11. RECLASSIFICATION

Certain amounts for the year ended December 31, 2008 have been reclassified from previously issued financial statements. These reclassifications had no impact on the change in net assets or net assets as previously reported.

(Concluded)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2009**

	<u>Actuarial Value of Assets</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>
December 31, 2007	-	\$ 318,755	0%
December 31, 2008	-	333,262	0%
December 31, 2009	-	352,534	0%



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

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

We have audited the financial statements of the Onondaga County Resource Recovery Agency (“OCRRA”) as of and for the year ended December 31, 2009 and have issued our report thereon dated March 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered OCRRA’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCRRA’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OCRRA’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

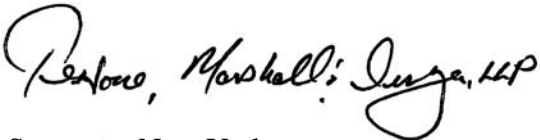
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of OCRRA in a separate letter dated March 1, 2010.

This report is intended solely for the information and use of OCRRA's management and board of directors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Penelope, Marshall; Jung, CPA".

Syracuse, New York
March 1, 2010

Onondaga County Resource Recovery Agency

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Business Officer

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Andrew J. Radin
Director of Recycling & Waste Reduction

Joseph A. Fontanella
Director of Transfer Operations

