Audit Division Report
Onondaga County Resource Recovery Agency

Past, Present and Future

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OFFICE OF THE ONONDAGA COUNTY COMPTROLLER

Citizens' Report on the Onondaga County Resource Recovery Agency

By Onondaga County Comptroller Robert E. Antonacci, CPA

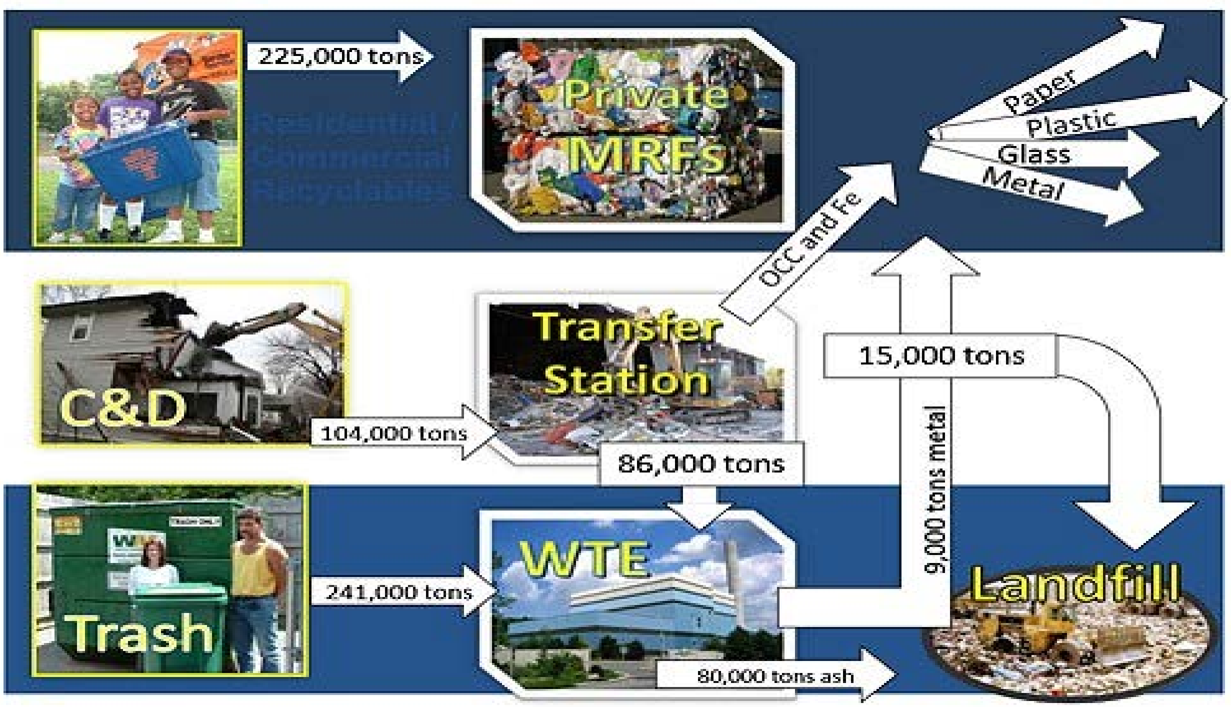
Background

The Onondaga County Resource Recovery Agency (OCRRA), created in 1981, by a number of measures has been a success. OCRRA has definitely experienced financial ups and downs in its 30+ years of existence and has significant challenges ahead, as explained below and in our full report. However, it has accomplished, and in some cases surpassed, all of the expectations laid out by Onondaga County in 1990 and has also met NY State DEC requirements through its regulatory process. It has also, despite the ups and downs of the tip fees, been able to survive and maintain a full waste disposal system (System), including waste to energy facility (WTEF), transfer station operations, recycling and composting, and education programs over the period of its existence.

Our goal with our full report is to provide background, perspective, and information to OCRRA's management, Governing Board, and County and local government partners. We hope this background, perspective, and information will help the participants focus on the important issues and decisions that need to be made. The goal is to assist OCRRA in reaching the best possible decisions and solution(s) for the community.

OCRRA's Impact on County Residents

The following shows the OCRRA waste collection and disposal process with approximate 2012 statistics (unaudited) (chart courtesy of OCRRA):



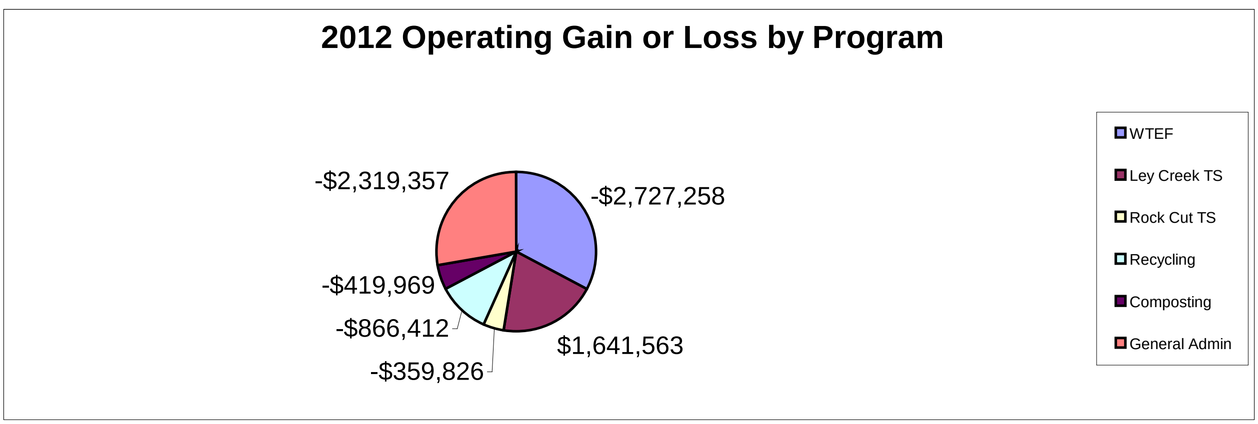
OCRRA collects just over a ton of municipal solid waste per resident each year, just under 50% of that is made up of recycling related waste. There is no tip fee for household recycling waste. That means that about 50% of the waste collected was charged the tip fee at an average of about $70/ton in 2012. In addition, there are about 2.5 residents per household and non-commercial waste collection fees are usually charged by the household. That means that each resident generated about .5 ton of household waste at $70/ton times 2.5 residents for a total of just under $90 in tip fees per year per household. The balance of each household's annual waste collection cost goes to the waste collection company to pay for the personnel, trucks, fuel, other costs, and profit. Some residents pay this fee through their property tax bill, others contract directly with a hauler.

OCRRA's Challenges

The last 4 years (2009 through 2012) have been challenging financially. For example, OCRRA's income, expenses, and gains and losses by program in 2012 were as follows (unaudited):

Account Name	Total	WTEF	Ley Creek TS	Rock Cut TS	Recycle	Compost	General Admin
2012 Residents *	466,852						
2012 Households *	181,113						
Operating Income per Resident	$63.56	$50.20	$11.11	$0.76	$0.76	$0.53	$0.20
Operating Expenses per Resident	$74.38	$56.04	$7.60	$1.53	$2.61	$1.43	$5.17
Operating Gain or Loss per Resident	-$10.82	-$5.84	$3.51	-$0.77	-$1.85	-$0.90	-$4.97
Operating Income per Household	$163.83	$129.40	$28.64	$1.95	$1.96	$1.36	$0.52
Operating Expenses per Household	$191.72	$144.46	$19.58	$3.94	$6.74	$3.68	$13.33
Operating Gain or Loss per Household	-$27.89	-$15.06	$9.06	-$1.99	-$4.78	-$2.32	-$12.81

* Includes the residents and households in the Town and Village of Skaneateles that are not part of the OCRRA System



In addition, in 2015 virtually all of OCRRA's contracts expire and OCRRA faces negotiations with the operator of its waste to energy facility (WTEF) and interrelated negotiations with Onondaga County (County), the waste haulers operating within the County, the local governments operating within the OCRRA System, and others. There are choices and trade-offs which will have to be addressed during these negotiations.

Executive Summary of Results

2003 Debt Restructuring - It appears that the purpose, objective, and timing of the OCRRA 2003 debt restructuring were dictated by the circumstances. There is no doubt the short-term financial benefits of the 2003 debt restructuring to OCRRA were positive and significant.

Financial Condition - OCRRA appears to have sufficient income sources, when combined with cash reserves, to sustain the Agency at least until 2015. In 2015 OCRRA could have significant changes to revenues, expenses, and operations as the result of contractual changes. Longer term, OCRRA's financial condition will depend on the path it chooses for 2015.

Impacts of Contracts in 2015 - By far the most significant OCRRA contracts expiring, or beginning in and around 2015, are the 2003 contracts with the WTEF Operator. However, there are a number of other OCRRA contracts, some of which will be significantly impacted by one or more of the three primary alternatives and five underlying scenarios.

Solid Waste Alternatives - There are numerous alternatives for OCRRA's negotiations with the Waste to Energy Facility (WTEF) Operator for 2015. We look at three primary alternatives, which include multiple scenarios, in detail in our full report:

1. Market Rate Waste Disposal Agreement (MRWDA) (Default) Alternative - Operate under the current 2003 contracts with the current WTEF Operator owning the facility and debt.
   Scenario 1 - Local Haulers Contracted for the WTEF
   Scenario 2 - Importing Waste to the WTEF

2. Service Contract Alternative - Refinance the Series B bonds and negotiate a new or extended service contract with OCRRA retaining ownership of the WTEF for an extended period and being responsible for the related debt or using legal means for taking the WTEF by eminent domain and bidding the operation of the plant through requests for proposals.
   Scenario 3 - Current WTEF Operator
   Scenario 4 - Eminent Domain, New RFP for Operations

3. MRWDA Buyout Alternative - Refinance the Series B bonds and agree with the WTEF Operator or use legal means (i.e. bankruptcy) to void the MRWDA. Both OCRRA and the WTEF Operator would operate as if they were at the end of the MRWDA, with the current WTEF Operator owning the WTEF facility. OCRRA and the WTEF Operator would be free to operate independently.
   Scenario 5 – MRWDA Buyout

There are also at least four (4) criteria for evaluating the alternatives/scenarios. They are:

- Finances - Tip fee rates, debt requirements, OCRRA's overall finances
- Risks - Change in law or regulations, tonnage, electricity sales, disaster, etc.
- Environment - WTE vs landfill, recycling, continuity of the OCRRA System
- Community - Importing waste, oversight of WTEF, flow control

Please see our full report for detailed information on each of the above Sections and these alternatives and scenarios.

Recommendations

Based on our analysis, we have the following recommendations for OCRRA:

Recommendation 1: Formalize and Document the Enforcement Process

Recommendation 2: Explore the Costs, Risks, and Benefits of Landfill Development

Recommendation 3: Develop and Use Strategic Performance Measures

Recommendation 4: Enhancements to the Budgeting and Reporting Process

Recommendation 5: Early negotiation and completion of a solid waste management program contract (SWMPC) with Onondaga County and municipal delivery agreements (MDA) with the participating local governments.

Recommendation 6: Develop the information necessary to negotiate the market rate tip fee (MRTF) with the WTEF Operator and begin the negotiations with the haulers.

Recommendation 7: Fully develop all MRWDA information and scenarios and fully discuss and evaluate them with the negotiating team and Governing Board.

Recommendation 8: After completing current negotiations and the 2015 issues are settled, begin addressing the range of options for May 2022 or the end of the service contract.

See our full report for a full discussion of each of these recommendations.

Summary of Key Negotiation Alternatives

While we cannot predict the outcome of negotiations, the key tradeoffs are: tip fee rates vs control of the waste. In other words, would residents rather see lower tip fee rates or continue to pay extra for the OCRRA's additional control over the processing of waste. A MRWDA (default) alternative tip fee structure would probably be lower than a Service Contract or Independent Operations alternative. However, a Service Contract or Independent Operations alternative would probably give OCRRA more control of the waste system in Onondaga County and more revenue to subsidize its environmental and enforcement activities than under the MRWDA alternative. The Service Contract alternative would also most likely prevent a situation where OCRRA's waste would be transported to landfills and at the same time the WTEF Operator is importing waste into WTEF.

Report on the
Onondaga County Resource Recovery Agency

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Report Index

SECTION I
EXECUTIVE SUMMARY

It may be helpful to read Appendix A-Abbreviations and Acronyms as well as Appendix B-OCRRA's Background prior to reading the full report.

BACKGROUND

The Onondaga County Resource Recovery Agency (OCRRA), created in 1981, by a number of measures has been a success. OCRRA has experienced financial ups and downs in its 30+ years of existence and has significant challenges ahead, as explained below and in the rest of this report. However, it has accomplished, and in some cases surpassed, virtually all of the expectations laid out by Onondaga County in 1990 and has also met NY State DEC requirements through its regulatory process. It has also, despite the variances of the tip fees, been able to survive and maintain its full waste disposal system (System), including waste to energy facility (WTEF), transfer station operations, including ash and bypass disposal, recycling and composting, and education programs over the period of its existence.

However, OCRRA is facing significant challenges. The last 4 years (2009 through 2012) have been challenging financially. In addition, in 2015 virtually all of OCRRA's contracts expire and OCRRA faces negotiations with the operator of its waste to energy facility (WTEF) and interrelated negotiations with Onondaga County (County), the waste haulers operating within the County, the local governments operating within the OCRRA System, and others. There are choices and trade-offs that will have to be addressed during these negotiations.

Our overall goal with this report is to provide background, perspective, and information to OCRRA's management, Governing Board, County and local government partners, and the community. We hope this background, perspective, and information will help the participants focus on the important issues and decisions that need to be made. The goal is to assist in reaching the best possible decisions and solution(s) for the overall benefit of the community.

SCOPE AND OBJECTIVES

The purpose of this report is to update and inform OCRRA's management, Governing Board, and County and local government partners and the community on activities and alternatives for OCRRA going forward.

Our objectives were to report on:

- Whether OCRRA has met Onondaga County and NY State Department of Environmental Conservation (DEC) expectations.
- The purpose(s), objective(s), timing, and short-term impact(s) of OCRRA's 2003 debt restructuring.
- OCRRA's financial condition.
- OCRRA's contracts and their significant impacts in 2015.
- OCRRA's solid waste alternatives going forward.
- Whether OCRRA was raising sufficient income to cover the cost of its mulch and compost operations and if related fees were competitive with the private sector.

METHODOLOGY

In order to complete our objectives we:

- Reviewed the 1990 contract with Onondaga County to determine the expectations for OCRRA.
- Asked OCRRA administration managers to complete the accomplishments sections related to the expectations.
- Toured the waste to energy facility (WTEF), Ley Creek and Rock Cut Road Transfer Stations, and the Amboy Compost Facility.
- Interviewed OCRRA's Executive Director, former Executive Director, Legal Counsel, Negotiations Counsel, Business Officer, Engineer, Transfer Station Supervisor, Recycling and Waste Reduction Director, Compost Operations Manager, other officers and managers, and representatives from the governing body.

- Reviewed OCRRA's DEC permits for air quality compliance at the WTEF and facility permits for the WTEF, the transfer stations, the compost facilities, and the Site 31 landfill.

- Interviewed appropriate DEC permit officials about the status, requirements and compliance with the permits;

- Followed up on the various statements and statistics provided by OCRRA managers to verify them.

- Examined the 2003 restructuring documents, including the related contracts with the WTEF operator.

- Reviewed historical documents related to the 2003 restructuring.

- Calculated OCRRA's savings related to the 2003 restructuring for the period covering 2004 through May of 2015.

- Analyzed 12 years of OCRRA's audited financial information.

- Analyzed 5 years OCRRA's budgets comparing actual total revenues and expenses to budgeted revenues and expenses.

- Requested and analyzed research and financial information from OCRRA management and staff.

- Asked OCRRA staff to develop and then analyze program revenues and expenditures for 2012.

- Reviewed OCRRA's current contracts that impact current and future revenues, expenses, and operations.

- Reviewed the Governing Board’s 2015 Committee report.

- Identified and analyzed the costs associated with OCRRA's compost sales, including certain costs associated with the administration and employee expenses for the compost and mulch program.

- Asked for, received, and analyzed mulch and compost marketing information, including comparable pricing, compiled by the Compost Operations Manager for the Governing Board prior to the last fee setting activity conducted in September and October 2012 for the 2013 year.

- Conducted a limited search of Websites related to compost and mulch sales.

EXECUTIVE SUMMARY OF RESULTS

Expectations

OCRRA has met, continues to meet, and in some cases exceeded Onondaga County's expectations, as required by the June 1990 agreement between the County and OCRRA. One item, the landfill, hasn't been completed but the purchase of the land and obtaining the DEC permit have been. In addition, OCRRA has met and continues to meet NYS DEC permit requirements.

During the course of our work we met with OCRRA officials and others to determine if OCRRA had met and continues to meet expectations. We noted OCRRA has received numerous awards and recognition over the years. The primary areas where they have received awards and recognition include: recycling, composting, and environmental programs; marketing, communications, and public education programs; and budget presentations.

Recommendation 1: Formalize and Document the Enforcement Process

Recommendation 2: Explore the Costs, Risks, and Benefits of Landfill Development

Recommendation 3: Develop and Use Strategic Performance Measures

2003 Debt Restructuring

It appears the purpose, objective, and timing of the OCRRA 2003 debt restructuring and contract renegotiation were dictated by the circumstances. In 2001 and 2002 OCRRA was headed for significant financial difficulties over the next few years without some sort of relief from the existing debt service and other financial aspects of the service agreement on the Waste to Energy Facility (WTEF). The financial difficulties involved included: tip fees below operating costs, very high debt service costs (over $16M on revenues of just over $30M per year), and significant operation and maintenance fees on the WTEF (in excess of $9M per year with an escalator clause). In addition, the WTEF Operator had either defaulted or had a high probability of defaulting, had a credit downgrade, and was on its way to bankruptcy court, and there were risks from court cases involving flow control and tip fee rate decline.

There is no doubt the short-term financial benefits of the 2003 debt restructuring to OCRRA were positive and significant. Over the course of the period from the 2003 restructuring through May 2015, OCRRA will save over $59M in debt service. The Business Officer calculated OCRRA will have saved over $10M in operation and maintenance fees (O & M) from 2004 to 2014. The OCRRA Engineer calculated

OCRRA will have saved over $1.5M in excess waste fees through 2013 as the result of the 2003 debt restructuring. The 2003 debt restructuring most likely helped OCRRA avoid either bankruptcy or going to Onondaga County or other sources to ask for operating funds within a couple of years after 2003.

Pursuant to the 2003 restructuring agreements, after 2015, the WTEF Operator has the right to import waste if there is excess capacity.

Financial Condition

OCRRA has three major revenue sources: tip fees, electricity sales, and recovered material sales. These revenues, in addition to being used to operate the waste to energy facility (WTEF) and transfer stations, are used to subsidize its general recycling programs, including mulch and composting, as well as for general administration. OCRRA's most volatile revenue source is the electricity sales.

OCRRA's finances took a significant negative hit in 2009, likely as the result of the general economic downturn, but also combined with a steep and long-term drop in rates and electricity sales income due to a contractual change in the way the rate was calculated. Other than the economic impact and change in the electricity sales contract in 2009, OCRRA's revenue sources have been relatively steady over the last 11 years.

Expenses declined significantly as a result of the 2003 bond restructuring and renegotiated contracts with the WTEF Operator. Expenses for 2012 were still below the 2001 expenses by 6.5%. However, the combination of the drop in expenses in 2004 and the drop in revenues in 2009, have made OCRRA's finances fairly volatile over the last 12 years, with significant losses from 2001 to 2003 and 2009 to 2012, and significant gains from 2004 to 2008.

Short-term, unrestricted Cash and Cash Equivalents has been declining since 2007 and Unrestricted Net Position has been declining since 2009. However, at more than $14M in Unrestricted Cash and Cash Equivalents and $9.9M in Unrestricted Net Position, unless the economy significantly declines and/or the solid waste stream is significantly reduced, OCRRA appears to have sufficient income sources, when combined with cash reserves, to sustain the Agency at least until 2015. In 2015 OCRRA could have significant changes to revenues, expenses, and operations as the result of contractual changes.

Longer term, OCRRA's financial condition will depend on the path it chooses for 2015. If the current agreement with the WTEF Operator, the Market Rate Waste Disposal Agreement (MRWDA) goes into effect in May of 2015, there could be significant changes to OCRRA's finances and operations. If that occurs, OCRRA will have to make significant adjustments to its operations, including current revenue amounts and sources and expense amounts and programs. However, OCRRA is currently negotiating with the WTEF Operator on several options that could affect OCRRA's finances in 2015. Therefore, the long-term financial condition impact for 2015 and beyond is unknown at this time. **See Sections V and VI of this report for additional information on these contract changes and their potential impact.**

Recommendation 4: Enhancements to the Budgeting and Reporting Process

Impacts of Contracts in 2015

Many of OCRRA's significant contracts expire in and around 2015. In addition, the MRWDA begins in 2015 by default and in the absence of further negotiations. The major contracts are with the Waste to Energy Facility (WTEF) Operator.

As more fully explained in **Section VI** of this report, there are numerous alternatives for OCRRA in 2015. We will look at three primary alternatives, which include multiple scenarios, in detail in this report. They include:

- **Market Rate Waste Disposal Agreement (MRWDA) Default Alternative -** This is the default alternative under the current contracts. The current WTEF Operator would own the facility and be responsible for the remaining Series B bonds. Under this arrangement, importation would likely occur, but volume dependent on OCRRA negotiations with haulers. OCRRA oversight would be minimal.

- **Service Contract Alternative -** This would involve refinancing the remaining Series B bonds and negotiating a new or extended service and related contracts or using legal means for taking the WTEF by eminent domain (condemnation) and bidding the operation of the plant through requests for proposals. Under this alternative OCRRA would retain ownership of the WTEF for an extended period and be responsible for the remaining Series B debt.

- **MRWDA Buyout Alternative -** This would involve refinancing the Series B bonds and agreeing with the WTEF Operator or using legal means (i.e. bankruptcy) to void the MRWDA. Both OCRRA and the WTEF Operator would operate as if they were at the end of the MRWDA, with the current WTEF Operator owning the WTEF facility. OCRRA and the WTEF would be free to operate independently.

Amongst the contracts expiring in and around 2015, the most important are the 2003 contracts with the WTEF Operator. In the absence of negotiations otherwise, the MRWDA begins in 2015. However, there are a number of other OCRRA contracts, some of which will be significantly impacted by one or more of the three primary alternatives. For purposes of this analysis, we list each of OCRRA's current significant contracts in this Section, describe its key features/requirements, and then provided a brief analysis of what might happen under each of the three primary alternatives.

Some of the key impacts that emerged from this analysis could have significant impact on OCRRA, the negotiations, and ultimately on the community. They are:

- The key differences between the three primary alternatives on the 2003 contracts between the WTEF Operator and OCRRA are:

  <u>WTEF Ownership</u>
  Under the MRWDA Default and the MRWDA Buyout alternatives the WTEF would be owned by the current Operator. Under the Service Contract extension the facility would be owned by OCRRA.

  <u>WTEF Capacity</u>
  The owner of the facility normally controls the facility capacity, and the facility income.

  <u>WTEF Debt</u>
  The owner of the facility also owns the Series B bond debt (at May 2015 that debt will total more than $42M); the expenses of operating the facility; and financial, regulatory and other risks associated with the facility.

- Under the Service Contract and MRWDA Buyout alternatives, OCRRA has the ability to exercise legal, contractual, and economic flow control of the waste within its service area. Under the MRWDA Default alternative, OCRRA loses legal flow control and most likely could lose or have reduced contractual flow control.

- Under the MRWDA Default alternative, the tip fees are set by a combination of the operation of the contract and negotiations with the haulers and, unless they exceed the market tip fee established under the MRWDA, belong to the WTEF Operator. Under the Service Contract and MRWDA Buyout alternatives, the tip fees would be established by direct negotiations between OCRRA and the haulers and belong to OCRRA. The tip fees established under the MRWDA Default arrangement might tend to be more market oriented, at least in the short-term, because they would not be influenced by legal flow control and would most likely be less influenced by contractual flow control.

- Under the MRWDA Default and the MRWDA Buyout alternatives, the WTEF Operator is allowed to import waste up to the maximum capacity of the WTEF if OCRRA waste doesn't fill the capacity. There are scenarios possible under the MRWDA Default and MRWDA Buyout alternatives where OCRRA could be transporting MSW waste from their service area to landfills at the same time that the WTEF Operator would be importing waste into the County without County or OCRRA approval.

- Under the MRWDA Default alternative OCRRA retains very limited oversight over the WTEF, consisting of the right to visit and observe the facility, receive copies of weigh slips for waste received pursuant to local waste agreements, and inform DEC if concerns are raised. Under the MRWDA Buyout alternative, unless it is negotiated, OCRRA retains no oversight over the WTEF. Under the Service Contract alternative OCRRA retains full oversight over the WTEF.

- Under the MRWDA Default alternative, once the Series B bonds are paid off in May 2022 by the WTEF Operator, the MRWDA ends. At that time, the WTEF will continue to be owned by the current Operator, including the entire capacity, and the owner is not restricted as to where waste comes from for processing or the tip fee process. At the same time OCRRA also becomes untethered from the WTEF, can flow control MSW under the County law to its other facilities, contract with any facility for waste processing and disposal, and/or handle the waste itself. This is essentially the MRWDA Buyout alternative, only it happens in 2015 if the MRWDA is voided. Under a Service Contract scenario, OCRRA would be the owner of the WTEF until the end of the contract. When the extended service contact ends and what happens at the end of the contract would be the subject of negotiations.

Negotiations are currently taking place with the WTEF Operator. However, the bottom line is this: While we cannot predict the outcome of negotiations, the key tradeoffs are: tip fee rates vs control of the waste. In other words, would residents rather see lower tip fee rates or continue to pay extra for OCRRA's additional control over the processing of waste. A MRWDA Default alternative tip fee structure would probably be lower than a Service Contract or MRWDA Buyout alternative. However, a Service Contract or MRWDA Buyout alternative would probably give OCRRA more control of the waste system in Onondaga County and more revenue to subsidize its environmental and enforcement activities than under the MRWDA Default alternative. The Service Contract alternative would also most likely prevent a situation where OCRRA's waste would be transported to landfills and at the same time the Operator is importing waste into WTEF.

Negotiations have not begun with key participants other than the WTEF Operator, including Onondaga County, the participating municipalities, and the haulers. Regardless of which way the negotiations go, MRWDA, Service Contract or MRWDA Buyout alternative, OCRRA will likely have to negotiate with these key participants.

Recommendation 5: Negotiations with the County and Participating Local Governments

For more information on the alternatives of each WTEF alternative, please see Section VI of this report.

Solid Waste Alternatives

As explained in the report, OCRRA operates within a framework of complex requirements and constraints. These requirements and constraints fall into the following broad categories: legal, contractual, financial, environmental, debt, services, etc. In order to fully understand this Section, it is important to read and understand the previous Sections of the report.

As explained in **Section V**, there are numerous alternatives for OCRRA in 2015. We will look at three primary alternatives, which include multiple scenarios, in detail in this report. There are also at least four (4) criteria for evaluating the alternatives/scenarios. They are:

- Finances - Tip fee rates, debt requirements, OCRRA's overall finances
- Risks - Change in law or regulations, tonnage, electricity sales, disaster, etc.
- Environment - WTE vs landfill, recycling, continuity of the OCRRA System
- Community - Importing waste, oversight of WTEF, flow control

The ultimate decision on how to proceed and what alternative and scenario to pursue involves a balancing of the above criteria between competing goals and interests. OCRRA's management and Governing Board, with the County in a supporting role, are in the best position to balance the competing goals and interests to achieve what they believe is in the best interest of the community.

Based on our analysis, we recommend the following next steps for OCRRA:

Recommendation 6: Develop the information necessary to negotiate the market rate tip fee (MRTF) with the WTEF Operator and begin the negotiations with the haulers.

Recommendation 7: Fully develop all MRWDA information and scenarios and fully discuss and evaluate them with the negotiating team and Governing Board and engage a range of alternatives.

Recommendation 8: After completing current negotiations and the 2015 issues are settled, begin addressing the range of options for May 2022 or the end of the service contract.

Costs and Fees for Compost Operations

NYS Department of Environmental Conservation places a high priority on organics recycling, as expressed in its December 2010 report *Beyond Waste: A Sustainable Materials Management Strategy for New York State.* OCRRA has chosen to meet the challenge of this report and indicates they are ahead of the curve in implementing it by using food waste in its composting process. The Compost Operations Manager indicated OCRRA operates the only organics management facility in the area, generating a compost product that has earned the U.S. Composting Council's Seal of Testing Assurance (STA certified). In addition, the OCRRA composting operations have received numerous awards and recognition over the last few years. OCRRA is currently in the process of investing to significantly expand the compost facility in Amboy and is actively recruiting large food operations to engage them to supply their food waste to the Amboy facility.

However, according to OCRRA's 2012 Annual Compost Report, for at least the last five years OCRRA has subsidized its mulch and compost operations. While fee revenues have risen from approximately $99,000 in 2009 to $246,000 in 2012, OCRRA's direct expenses related to the mulch and compost operations exceed the revenue generated by over $400,000 in 2012. OCRRA also subsidizes other programs. For a breakdown on OCRRA's income and expenses by program, please see **Appendix F**. The mulch and compost sales and fee structure appear to be below retail in the area and region.

We asked OCRRA management to explain the compost and mulch program subsidies and fee comparisons. They indicated they were aware of the subsidies and the fee structure was a contributing factor but they are trying to "seed" and/or "kick start" the compost program. They have been gradually increasing the fees from very low amounts and they must compete with some local governments in the area. In addition, they also stated that currently their sales are more wholesale than retail. However, they also indicated that OCRRA management has completed a business analysis and marketing plan and have agreed, using these plans, to bring compost and mulch program costs and income into alignment by 2016 or 2017.

SECTION II
EXPECTATIONS

OVERALL OBJECTIVE

Our objective was to report on whether OCRRA has met Onondaga County and NY State Department of Environmental Conservation (DEC) expectations.

OVERALL OBSERVATIONS AND CONCLUSIONS

OCRRA has met, continues to meet, and in some cases exceeded Onondaga County's expectations, as required by the June 1990 agreement between the County and OCRRA. One item, the landfill, hasn't been completed but the purchase of the land and obtaining the DEC permit have been completed (see **Recommendation 2** in this Section). In addition, OCRRA has met and continues to meet NYS DEC permit requirements.

During the course of our work we met with OCRRA officials and others to determine if OCRRA had met and continues to meet expectations. We noted OCRRA has received numerous awards and recognition over the years. The primary areas where they have received awards and recognition include: recycling, composting, and environmental programs; marketing, communications, and public education programs; and budget presentations.

ONONDAGA COUNTY EXPECTATIONS

Method

In order to complete this objective we:

- Reviewed the 1990 contract with Onondaga County to determine the expectations for OCRRA.
- Asked OCRRA administration managers to complete the accomplishments sections related to the expectations.
- Interviewed the OCRRA Executive Director, managers, and a few Governing Board members.

- Toured the waste to energy facility (WTEF), Ley Creek and Rock Cut Road Transfer Stations, and the Amboy Compost Facility.

- Followed up on the various statements and statistics provided by OCRRA managers to verify them.

Results

We captured these Onondaga County (County) expectations from the June 1990 Solid Waste Management Program Contract between OCRRA and the County and the related **Results** follow below.

We have rated each **Expectation** in the **Status** column using the following references:

C = Completed by OCRRA.
CTD = Completed to date, this is an ongoing function.
NC = Not complete. One or more significant items in the expectation are not complete.

Expectation	Result(s) Reported By OCRRA	Status
Waste to Energy Facility		
Vendor/owner design, construction and operation of a 990 ton per day mass burn waste-to-energy facility (WTEF) that will produce electricity	WTEF built and operating.	**C**
Issue Facility Revenue Bonds to finance the construction of a WTEF	Bonds issued in 1992, with restructuring completed in 2003.	**C**
Repay the County and City of Syracuse for development costs and expenses incurred by them with respect to the WTEF	According to OCRRA officials, repayments were made to both the County and the City from the 1992 bond proceeds.	**C**
Execute a service agreement and other agreements for the WTEF	Service, facility lease, and site lease agreements were executed in 1992. Service, facility lease, site lease, market rate waste disposal, and put option agreements were executed in 2003.	**C**
Cause the Company to operate and maintain the WTEF to be able to receive and process County solid waste in accordance with prudent engineering & operating practices	OCRRA employs an in-house engineer to oversee the WTEF and other OCRRA facilities. The in-house engineer reviews environmental and other testing reports by the WTEF operator and conducts on site inspections of the facility. In addition, OCRRA retains a third party consulting engineer to conduct facility inspections and perform testing oversight.	**CTD**

Cause the Company to operate and maintain the Facility to be able to receive and process County solid waste in compliance with performance & environmental guarantees	Per the Service Agreement and NYSDEC regulations, the Operator has extensive reporting requirements that document the facility's operational and environmental performance. OCRRA has an in-house engineer who rigorously reviews Covanta's reports and operations to ensure compliance. OCRRA also hires a contract engineering firm to perform periodic on site inspections of the WTEF. NYS DEC also, through the permitting process, monitors and inspects the WTEF on an ongoing basis.	**CTD**
Deliver or cause the delivery all of the County solid waste generated in or originating from municipalities and the County (Waste Flow Enforcement) to the Agency facilities	The majority of waste flows into the OCRRA System from municipal and private haulers that are permitted by OCRRA. Haulers are required to sign an agreement for the use of the OCRRA System. The Transfer Station Operations Director is responsible for OCRRA's enforcement function. He monitors the flow of waste by tracking OCRRA's daily waste statistics; receives complaints from haulers, OCRRA's employees, and the public; and supervises OCRRA's two full time enforcement officers. Any significant deviations in waste flow and complaints are given to the enforcement officers for follow-up. The enforcement officers cover different parts of the OCRRA area; receive complaints from their supervisor, OCRRA employees, haulers, and others; monitor deliveries to the WTEF and other facilities; check curbside and businesses waste on a daily basis; and follow up by observations and inspections. Where warranted, the enforcement officers issue warning and violation notices based on laws and contractual provisions, write violation reports, and refer offending parties for further action as deemed necessary.	**CTD**
Refuse delivery of any solid waste not delivered by permitted haulers, delivered by permitted haulers outside designated delivery times, not from participating municipalities, any unacceptable or hazardous waste, or any waste not delivered in accordance with the by-laws of the Agency	Transfer station employees, WTEF employees, and OCRRA enforcement officers routinely check for out of County waste, hazardous material, recyclables and any other unacceptable waste. WTEF only allows haulers with an OCRRA permit to dispose of waste at the facility. Hauler contracts included provisions for what can and can't be delivered to OCRRA facilities and penalties for delivering unacceptable waste to the facilities. In addition OCRRA encourages proper disposal of hazardous waste by accepting household hazardous wastes at no charge at convenient locations. **See above item for additional enforcement activities.**	**CTD**
Enforce the intermunicipal agreements	**See above two items for enforcement activities.**	**CTD**
Recycling Program		

Implement and establish voluntary and mandatory recycling programs in compliance with applicable law and the conditions of any permits issued by DEC (Goal of 33%)	In 2012, over 551,700 tons of waste were recycled through mandatory and voluntary recycling (both residential and commercial) in the community, for a total recycling rate of 61%. OCRRA also met permitting requirements for the WTEF set forth by the NYSDEC to maintain a 40% *"processible recycling rate,"* by reaching 46%, or 228,073 tons. The Agency's extensive efforts to implement the County's Source Separation Law, and comply with its recycling-related permit requirements for the WTEF, including continuously developing and implementing new and innovative programs, extensive education and outreach efforts to promote good recycling practices, and continuous enforcement efforts. These efforts are detailed in a report the Agency prepares annually and submits to the New York Department of Environmental Conservation. OCRRA has received numerous awards and recognition for its waste reduction and recycling efforts.	**CTD**
Administer the County Source Separation Law	**See other enforcement items above.**	**CTD**
Landfill		
Site, construct, finance, and operate a State permitted, lined landfill	Landfill was sited in the Town of Van Buren and permitted by the NYS DEC. There has been no economic benefit, or need to construct a landfill as of July 2013 and no current plans for the near future. No funds have been borrowed for landfill construction.	**NC**
General		
Implement the County Solid Waste Management Plan (SWMP)	OCRRA has implemented the elements of Onondaga County's 1991 Local Solid Waste Management Plan related to municipal solid waste (MSW) and household hazardous waste and continues to expand, improve, or otherwise adjust programs to meet the needs of the County in these areas. OCRRA submits biennial compliance reports and triennial comprehensive recycling and market analysis reports to NYSDEC.	**CTD**
Avoid nuisance conditions in the development and operation of the System	OCRRA's facilities operate in accordance with NYSDEC regulations and facility permit requirements, which prohibit nuisance conditions. The WTEF Operator and NYS DEC report minimal nuisance complaints, and report that all investigations resulting from nuisance complaints have resulted in other sources being responsible for the nuisances.	**CTD**
Operate, or cause to be operated the System properly & in a sound & economical manner & maintain, preserve & keep it in good repair	OCRRA has invested considerable capital resources in the maintenance of the System as evidenced by the continuing 5 year capital plans in the annual budget, the fixed asset section of the financial statements, and the asset purchase and improvement records. In addition OCRRA pays significant sums to the WTEF Operator to operate and *maintain* the WTEF and has a third party evaluation of the facility maintenance performed regularly.	**CTD**

Establish and maintain a County solid waste collection and delivery information system	OCRRA maintains an electronic solid waste collection and delivery system. The system produces monthly and annual reports of the County's solid waste deliveries and various other statistical reports.	**CTD**
Financial		
Fix rates, rental fees, and other charges for the use of the facilities, services and commodities of the Agency reasonably calculated to provide revenues in amounts at least equal to Agency operating costs and in full compliance with any rate covenant	OCRRA develops annual operational and capital budgets that estimate expenses and revenues, including tip fees. As part of the budget process the governing body reviews and approves proposed tip and other fees for the budget year. The budgets are presented and adopted on a balanced basis, taking into consideration the periodic use of Agency reserves. OCRRA's 2012 year end fund balance is excess of twenty million dollars. This balance indicates OCRRA's commitment to generate revenue sufficient to cover expenses over time.	**CTD**
Pay all taxes lawfully levied	OCRRA is tax exempt but pays for sales tax on items purchased by Covanta for the WTEF.	**CTD**
Maintain all customary insurance on the System	OCRRA is fully insured, a list of policies was provided and is available.	**CTD**
Do not expend any amount or incur and indebtedness in excess of the amounts provided for in the annual budget or amended annual budget	OCRRA generally does not exceed its adopted budgetary expenses. However, OCRRA is required to manage the solid waste within Onondaga County. Therefore, if the system tonnage exceeds estimates, it usually results in both additional revenues and disposal costs. The last time expenditures exceeded budget was in 2008.	**CTD**
Keep or cause to be kept proper books and accounts	OCRRA is independently audited annually by external auditors. OCRRA also has an independent Confidential Internal Controls Compliance Officer that reports to the Board Audit Committee.	**CTD**
Make all books, accounts, & papers subject to inspection by the County and audit by the County Comptroller	OCRRA has fully cooperated with the County Comptroller staff.	**CTD**
File an annual report, accompanied by a certificate of an independent public accountant that such financial statements are fairly presented in conformance with GAAP, with the Clerk of the County Legislature on or before April 1	Annual report has been filed with the Clerk of the County Legislature. All annual reports are available on the Agency website - www.ocrra.org	**CTD**
File WTEF Operator annual reports with the County	Filed with the Clerk of the County Legislature annually and available on the Covanta website.	**CTD**

NYS DEPARTMENT OF ENVIRONMENTAL CONSERVATION (DEC) EXPECTATIONS

Method

DEC oversees OCRRA for virtually all the environmental aspects of its waste operations. We reviewed OCRRA's DEC permits for air quality compliance at the WTEF and facility permits for the WTEF, the transfer stations, the compost facilities, and the Site 31 landfill. We also interviewed appropriate DEC permit officials about the status, requirements and compliance with the permits; and followed up on various statements and statistics provided.

Results

OCRRA has met and continues to meet DEC permit requirements.

FINDINGS AND RECOMMENDATIONS

Recommendation 1: Formalize and Document the Enforcement Process

OCRRA has extensive enforcement requirements related to source separation, flow control, and importation of waste into the County. These enforcement requirements are established in County Local Laws and through various OCRRA contracts, including intermunicipal and hauler contracts. While all OCRRA employees are responsible to one degree or another for the OCRRA enforcement function, OCRRA employs two full time OCRRA enforcement officers. The Transfer Station Operations Director supervises the enforcement officers on a day to day basis. Because of the extensive nature of OCRRA's enforcement requirements, we reviewed OCRRA's enforcement process.

The majority of waste flows into the OCRRA System from municipal and private haulers that are permitted by OCRRA. Haulers are required to sign an agreement for the use of the OCRRA System. The Transfer Station Operations Director monitors the flow of waste by tracking OCRRA's daily waste statistics and receives complaints from haulers, OCRRA's employees, and the public. Significant deviations in waste flow and complaints are given to the enforcement officers for follow-up. The enforcement officers cover different parts of the OCRRA area; receive complaints from their supervisor, OCRRA employees, haulers, and others; monitor deliveries to the WTEF and other facilities; check curbside and businesses waste on a daily basis; and follow up by observations and inspections.

Where warranted, the enforcement officers issue warning and violation notices based on laws and contractual provisions, write violation reports, and refer offending parties for further action as deemed necessary. We noted warnings and tickets issued decreased from a high of 152 in 2002 (when the database was created) to 33 in 2012, with a low of 23 issued in 2011. The Transfer Station Operations Director indicated he felt the falling number of warnings and violations issued over the years was an indication the enforcement system was working.

In order to review the enforcement process we:

- Toured WTEF, transfer stations, & the Amboy facility and asked questions related to, among other things, looking for compliance with County and OCRRA requirements.
- Reviewed a sample intermunicipal agreement & hauler agreement and noted compliance provisions.
- Reviewed County Local Laws related to source separation, flow control, & importation of waste into the County.
- Reviewed Transfer Station Operations Director daily waste tracking spreadsheet, blank copies & database printouts of enforcement officers' issued warnings & violation notices, sample complaint form & follow-up activity report, enforcement officers' monthly reports, & facility inspection reports.
- Reviewed one sample of daily activity as noted in each of the officer's expense reports.
- Discussed other enforcement statistics & actions with the Transfer Station Operations Director, Recycling Director, Business Officer, and Executive Director.

Based on the above, we determined the OCRRA enforcement system is effectively designed. The use of waste tracking statistics and trends is an excellent form of monitoring the risk of non-compliance with the County and contract requirements. The use of complaint follow-up, observations, and inspections as a starting point are all appropriate as well.

However, in order to effectively operate an enforcement system using these methods, a very high degree of knowledge and experience with the flow of waste in the OCRRA system are required. Just some of the knowledge and experience required include, in addition to historical trends and what they mean:

- The waste intake locations and methods.
- Sources of collection and the flow associated with each.
- Waste content and hauler patterns.
- Neighboring county waste disposal requirements.

Much, if not all of this information is contained in the extensive experience and personal knowledge of the Transfer Station Operations Director and the two enforcement officers. The information is not documented in OCRRA process and procedures. In addition, there is no Governing Board policy on enforcement.

The OCRRA enforcement system and the experience necessary to make it work effectively, have evolved over the years. However, policy, procedures, and documentation necessary to ensure it will continue into the future regardless of personnel changes, has not kept up.

We recommend the OCRRA Governing Board and management work together to develop a strategic, comprehensive enforcement policy. That policy should include guidance in at least the following areas:

- Who is responsible for enforcement and what their responsibilities are.
- Required areas for enforcement and the basis for these areas (local laws, contractual provisions), etc.
- Management's responsibilities for the enforcement function.
- High level requirements for identifying enforcement risks.
- The complaint process requirements and required documentation.
- Enforcement actions available and requirements for using and tracking them.
- Periodic reporting requirements for the Governing Board on performance measures, complaints, warnings and tickets, fines and penalties, etc.

Once the Governing Board, working with management, has established the policies, the OCRRA management should establish procedures and detail guidance for carrying out the policies. The procedures and guidance should provide enough information so that, in case of unforeseen circumstances, future personnel will be able to carry on the enforcement process with little interruption or loss of institutional knowledge.

Establishing enforcement policies and procedures will help OCRRA maintain and even improve on the well designed and comprehensive system that is operating currently.

Recommendation 2: Explore the Costs, Risks, and Benefits of Landfill Development

OCRRA has fulfilled the County expectation to acquire and permit the Town of Van Buren Site 31 for purposes of developing a landfill. However, OCRRA Board has not asked for, nor have officials recently developed or updated information on the costs, risks, and benefits of pursuing development of a landfill. OCRRA officials indicated that, given the current low out-of-county landfill tip fee rates and the current transportation costs, development of an OCRRA landfill option would not be cost effective or feasible at this time. However, they do not have current studies of the development costs or other information on which to base that assertion.

OCRRA is currently responsible for and disposes of the ash generated at the WTEF, overflow, and non-burnable waste generated at the WTEF and transfer stations by transporting it to the High Acres landfill located in Fairport, NY (Monroe County). The High Acres landfill is approximately 81 miles from the WTEF and 75 miles from the Ley Creek Transfer Station. OCRRA has a long term contract with High Acres for solid waste disposal.

Considering the current environment of low tip fees and the development of other options, OCRRA officials may well be correct in their assertion that actual development of a landfill at Site 31 in Van Buren may not be cost effective or feasible at this time. However, also given the historic volatility of tip fees and other costs associated with transporting excess waste, there is a risk future disposal costs could make a landfill feasible and potentially even critical to the OCRRA System. If the Market Rate Waste Disposal Agreement (MRWDA) with the WTEF Operator goes into effect in 2015, OCRRA may not be responsible for the MSW waste and/or ash disposal for their service area. However, if for any reason the MRWDA does not go into effect in 2015 and, in any case, in 2022, OCRRA could again be responsible for MSW waste and/or ash disposal from the System. If either of those two situations occurs, there is a risk OCRRA could be left with high disposal costs and few, if any options.

Given the amount of time it takes to conduct studies and reviews and to fully develop a landfill, it could take a number of years to complete the process. As a matter of prudent risk management, we recommend OCRRA at least develop current and projected construction and operating cost estimates and develop and evaluate the risks and benefits of constructing an operating landfill. Of course, the OCRRA Governing Board and management will have to make cost/benefit choices as they progress through the process. Ultimately, development of a landfill may not be the right choice at this time given the costs and benefits trade-off. However, without knowing the costs, and the potential risks and benefits of constructing a landfill, the Board will not have enough information to make a fact based, long-term decision at the right time.

Recommendation 3: Develop and Use Strategic Performance Measures

The Board has established a vision, mission and strategies as follows:

OCRRA's Vision: Maintain a world-class waste management system that benefits our community and environment.

OCRRA's Mission: To serve our community by providing a comprehensive solid waste management system that is environmentally, socially and financially sound.

OCRRA Strategies: Through innovative strategies such as waste reduction, recycling, composting, disposal, and education, we make our community a more healthy and sustainable place to live.

As indicated in the section above, we also found:

- Overall OCRRA has and continues to carry out the expectations of Onondaga County and DEC.

- OCRRA has permit and contractually required performance measures, mostly related to environmental factors.

- Generally, OCRRA managers use data and measures in their day-to-day and month-to-month activities to effectively drive their decision making and risk management towards achieving better and better results.

However, beyond the contractually or permit required performance measures, the Board has not established strategic level, outcome based performance measures to determine the effectiveness of the Agency in implementing its strategies.

We recommend the Governing Board, working with OCRRA management, consider establishing a few strategic level performance measures to determine progress in achieving their strategies. We recommend the use of outcome based performance measures (focused on results) or at least output (e.g., number of units produced) based performance measures at the Governing Board level. We also recommend the Board establish a balanced set of performance measures, including both effectiveness and efficiency measures.

For example, the Governing Board could establish performance measures for each strategy as follows:

- **Waste reduction:** OCRRA's total solid waste per capita compared to similar waste management areas or state averages; Costs saved by waste stream reduction (e.g., number of pounds/tons of savings over the comparable times the number of residents times the average costs to recycle or dispose of waste).

- **Recycling:** Percentage of waste stream recycled or per capita pounds of recycled materials compared to similar waste management areas or state averages; Cost per ton or per capita for recycling efforts compared to similar waste management areas or state averages; Costs saved by recycling reduction (e.g., average cost of disposal per ton less average cost of recycling per ton times the number of tons of recycled materials).

- **Composting:** Percentage of food waste stream recycled or per capita pounds of food waste stream recycled compared similar waste management areas or state averages; Cost per ton for composting efforts compared to similar waste management areas or state averages.

- **Disposal:** Percentage of waste stream disposed of (WTE or landfill) or per capita pounds of waste stream disposed of compared to similar waste management areas or state averages; Cost of disposal per capita or per ton compared to similar waste management areas or state averages.

- **Education:** Positive trends in Waste Reduction, Recycling and Composting performance measures; Number of people reached by OCRRA's onsite, in person educational efforts; Number of hits on OCRRA's educational Website pages; periodic surveys measuring resident's knowledge of OCRRA's efforts.

There are many possibilities for varying performance measures and the Governing Board would have to decide which performance measures work best for measuring the progress towards implementing their strategies. They would also, because of cost, time, and organizational change considerations, have to limit the number of performance measure they use and establish the rules and requirements for determining each performance measure. Therefore, we also recommend if the Board decides to implement performance measures, they work closely with OCRRA management, start with one or two measures, and build from there. That way the Board, management, and staff can become comfortable with the use of performance measurement as a means to achieve the desired results.

There is evidence OCRRA is already well developed in its adoption of high level management techniques and is measuring up quite well to its peers on a number of fronts. However, we feel beginning the use of strategic level, outcome based performance measures at the Governing Board level could help drive even more new and innovative approaches to achieving OCRRA's mission using the strategies the Board has laid out, which would help OCRRA take it to the next level and stay on the leading edge.

SECTION III
2003 DEBT RESTRUCTURING

OVERALL OBJECTIVE

Our objective was to report on the purpose(s), objective(s), timing, and short-term impact(s) of OCRRA's 2003 debt restructuring.

OVERALL OBSERVATIONS AND CONCLUSIONS

It appears the purpose, objective, and timing of the OCRRA 2003 debt restructuring and contract renegotiation were dictated by the circumstances. In 2001 and 2002 OCRRA was headed for significant financial difficulties over the next few years without some sort of relief from the existing debt service and other financial aspects of the service agreement on the Waste to Energy Facility (WTEF). The financial difficulties involved included: tip fees below operating costs, very high debt service costs (over $16M on revenues of just over $30M per year) per year, and significant operation and maintenance fees on the WTEF (in excess of $9M per year with an escalator clause). In addition, the WTEF Operator had either defaulted or had a high probability of defaulting, had a credit downgrade, and was on its way to bankruptcy court, and there were risks from court cases involving flow control and tip fee rate decline.

There is no doubt the short-term financial benefits of the 2003 debt restructuring to OCRRA were positive and significant. Over the course of the period from the 2003 restructuring through May 2015, OCRRA will save over $59M in debt service. The Business Officer calculated that OCRRA will have saved over $10M in operation and maintenance fees (O & M) from 2004 to 2014. (O & M fees are charged by the operator to OCRRA to run the plant including the Operator's profit.) The OCRRA Engineer calculated OCRRA will have saved over $1.5M in excess waste fees through 2013 as the result of the 2003 debt restructuring. The 2003 debt restructuring most likely helped OCRRA avoid either bankruptcy or going to Onondaga County or other sources to ask for operating funds within a couple of years after 2003.

We have observations related to the impact of the 2003 agreements on the County importation of waste prohibition in the **Additional Observations** section below.

We discuss the long-term impacts of the 2003 restructuring in **Sections V and VI** of this report.

METHOD

In order to complete this objective we:

- Examined the restructuring documents, including the related contracts with the WTEF operator.
- Interviewed OCRRA's Executive Director, former Executive Director, Legal Counsel, Business Officer, other officers and managers, and representatives from the governing body.
- Reviewed historical documents related to the 2003 restructuring.
- Reviewed financial information from before and after the restructuring.
- Calculated OCRRA's savings related to the 2003 restructuring for the period covering 2004 through May of 2015.

RESULTS

In 1994 the U.S. Supreme Court issued a decision that limited OCRRA's ability to direct solid waste from within Onondaga County to the Waste to Energy Facility (WTEF). In 2000, this decision impacted OCRRA in that the tip fees it could generate were below the Agency's financial break even point. As a result, OCRRA started generating significant operating losses and started using operating reserves to make up the difference. According to their audited financial statements, OCRRA had losses totaling almost $9M between 2001 and 2003.

As a result OCRRA started communicating with the WTEF Operator indicating that they could not continue financing the WTEF and related debt using reserves indefinitely. The WTEF operator did not respond. On February 13, 2002, as a result of the WTEF operator's credit rating downgrade and failure to provide credit enhancement as required by the 1992 amended service agreement, OCRRA terminated the service agreement with the Operator by resolution number 1261. The WTEF Operator challenged the termination of the amended service agreement in NYS Supreme Court and, subsequently, filed for bankruptcy in federal court on April 1, 2002. From April 2002 to September 2003, OCRRA, the WTEF Operator, and the 1992 bondholders negotiated to settle the termination and litigation. On October 10, 2003, all parties agreed to settle all litigation and the 2003 debt restructuring was executed.

New debt was issued totaling $112M that replaced the 1992 debt. The debt consisted two parts. The first part was Series A Bonds totaling $82M, secured by all OCRRA revenues and payable in semi-annual installments of principal and interest through May 2015. The second part was Series B (zero coupon) Bonds totaling $30M (with interest estimated to be $42M), secured by the revenues of the WTEF only. These Series B Bonds had no payments required until May of 2015 when the WTEF would be owned by the WTEF Operator unless the WTEF generated income above the cost of operations and Series A debt service in any of the years between 2004 and 2015. In any case, the Series B Bonds are scheduled to be paid off in 2022. In order to pay off the 1992 debt principal and interest totaling $134M in October 2003, in addition to the $112M in 2003 bond proceeds, the settlement called for the use of existing debt reserves to pay the balance. The restructuring did not require reserves going forward similar to the 1992 financing reserves. Therefore, excess cash in the October 2003 reserves above the amount needed to pay off the 1992 bonds became operating cash to OCRRA after the restructuring.

The 2003 debt restructuring significantly benefited OCRRA in the short-term. According to pre-restructuring analysis, documented through communications to OCRRA's governing body, OCRRA's overall senior debt was reduced from approximately $134M at 7% interest rate to approximately $82M at 5% interest rate (Series A bonds), with both payable in annual principal and interest installments and the last installment due in May 2015. This was accomplished by issuing $30M in series B (zero coupon) bonds secured by the revenues of the WTEF only and use of a current restricted debt and debt service reserves. Unless the WTEF generated income above the cost of operations and Series A debt service, the Series B bonds have no payments required until May of 2015 when the WTEF would be owned by the WTEF operator.

We estimate that OCRRA has and will save over $59M in debt service costs from 2003 through May 2015, as follows:

Estimated 1992 Bond Payments from November 2003 Through May 2015	$197,889,250
Less: 2003 Series A Bond Payments November 2003 Through May 2015	($109,563,877)
Less: 2003 Series B Bond Payments November 2003 Through May 2015	($13,234,184)
Less: Estimated Lost Interest Earnings on Debt Reserve Used in 2003 Restructuring Calculated at 5% compounded annually	($15,727,936)
Net Savings from 2003 Restructuring	**$59,363,253**

In addition, the annual operations and maintenance fee to the WTEF Operator was reduced by almost $1M per year between 2004 and 2014. OCRRA's Business Officer calculated the total savings from reduced operations and maintenance fees as follows (unaudited):

Year	Escalator	1992 O& M + Escalator	Actual O& M Paid	Savings
2004	3.5000%*	$ 9,875,226	$ 9,074,523	$ 800,703
2005	3.4978%	$ 10,220,641	$ 9,391,932	$ 828,709
2006	3.8822%	$ 10,617,427	$ 9,756,552	$ 860,875
2007	3.7280%	$ 11,013,245	$ 10,120,308	$ 892,937
2008	3.7324%	$ 11,424,303	$ 10,498,044	$ 926,259
2009	2.2156%	$ 11,677,420	$ 10,730,640	$ 946,780
2010	3.4220%	$ 12,077,021	$ 11,097,888	$ 979,133
2011	4.6722%	$ 12,641,284	$ 11,616,408	$ 1,024,876
2012	2.5890%	$ 12,968,567	$ 11,917,200	$ 1,051,367
2013	3.2430%	$ 13,389,137	$ 12,303,674	$ 1,085,463
2014	3.5000%*	$ 13,857,757	$ 12,734,303*	$ 1,123,454
Totals		**$129,762,028**	**$119,241,472**	**$10,520,556**

* Estimated

Lastly, the annual excess waste fee was initially reduced by $4.81 per ton in 2003. The excess waste fee was reduced a total of over $1.5M between 2004 and 2013. The OCRRA Engineer calculated the total savings as follows (unaudited):

Year	Original Excess Waste Fee (EWF) Per Ton (1)	Adjusted EWF Per Ton	Excess Waste Tons	Actual Excess Waste Fee	Savings from 2003 (3) Restructuring
2002	$22.28 (ACTUAL)	-	28,618	$637,609	-
2003	$22.81	$18.00	39,034	$702,612	$187,754
2004	$23.67	$18.68	44,521	$831,652	$222,236
2005	$24.50	$19.33	35,064	$677,787	$181,120
2006	$25.45	$20.08	40,907	$821,413	$219,500
2007	$26.40	$20.83	40,155	$836,429	$223,512
2008	$27.38	$21.61	36,741	$793,973	$212,167
2009	$27.99	$22.09	8,597	$189,908	$50,748
2010	$28.96	$22.85	4,840	$110,594	$29,553
2011	$30.30	$23.91	16,284	$389,350	$104,043
2012	$31.08	$24.53	4,887	$119,878	$32,034
2013	$32.10	$25.33	8,000 (2)	$202,640 (2)	$54,150**
				TOTAL	**$1,516,817**

(1) Based on % escalation of readjusted EWF per ton; (2) Estimated; and (3) Differences due to rounding in the calculations

Based on the above, it appears the purpose, objective, and timing of the OCRRA 2003 debt restructuring were dictated by the circumstances. In 2002 and 2003 OCRRA was headed for significant financial difficulties over the next few years without some sort of relief from the existing debt service and other financial aspects of the service agreement on the WTEF. These financial difficulties included: tip fees below operating costs, high debt service costs (over $16M per year on revenues of just over $30M per year), and significant operation and maintenance fees (over $9M per year) on the WTEF. Additional circumstances include:

- The Waste to Energy Facility (WTEF) Operator had either defaulted or had a high probability of defaulting on the service agreement, credit downgrade and bankruptcy.

- Court cases involving flow control.

- Tip fee rate decline.

The short-term financial benefits to OCRRA were positive and significant. We calculate over the course of the period from the 2003 restructuring through May 2015, OCRRA has and will save over $59M in debt service. The Business Officer calculated that OCRRA will have saved over $10M in operation and maintenance fees (O & M) from 2004 to 2014. The OCRRA Engineer calculated that OCRRA will have saved over $1.5M in excess waste fees through 2013 as the result of the 2003 restructuring. The 2003 restructuring most likely helped OCRRA avoid either bankruptcy or going to Onondaga County or other sources to ask for operating funds within a couple of years after 2003.

ADDITIONAL OBSERVATIONS

In 1989 the County Legislature approved a Local Law prohibiting the importation of solid waste into the County for the purpose of disposal at the landfill. This Local Law was updated in 1992 to also include prohibiting the importation of solid waste into the County for deposit at the WTEF. In addition, included in the June 1990 Solid Waste Management Program Contract between Onondaga County and OCRRA was a provision (Section 5.2) that prohibited solid waste that was not from within the OCRRA service area from being received into the OCRRA System. It also required OCRRA to "...use best efforts to assure full compliance with this requirement."

The 2003 restructuring documents, including the related agreements with the WTEF Operator were negotiated in 2003. These documents included a MRWDA with a provision that allowed the WTEF Operator "...to arrange for delivery of Solid Waste from any source other than the Agency if performance by the Partnership (WTEF Operator) under such contract or arrangement would not impair the ability or obligation of the Partnership to satisfy its obligations under terms of this agreement..." (Section 2.05). That provision in the MRWDA is generally understood to allow the WTEF Operator to import Solid Waste for processing at the WTEF if there is capacity, and capacity is the difference between the maximum plant capacity and the waste taken in from the OCRRA service area.

Not withstanding the County Local Law and 1990 SWMPC prohibiting the importation of Solid waste into the OCRRA System, it appears that in 2003 OCRRA expressly authorized the WTEF Operator to import waste into the System. However, it is likely that, as a "merchant facility" (owned by a private corporation), the WTEF would probably not be bound by the County local law prohibiting waste importation if and when they own the WTEF. So under the 1992 contracts, the WTEF Operator would probably have been unrestricted on the importation of waste to the WTEF in 2015 anyway.

In addition, we note that the 1992 agreements provided that, unless OCRRA exercised an option to purchase the facility from the WTEF Operator, the WTEF would be owned by the Operator in 2015. Thus, under the 1992 agreements the WTEF would have become a full merchant facility in 2015 if OCRRA declined to purchase the WTEF. Therefore, it appears that the provision in the 2003 MRWDA is more restrictive than the 1992 agreements provisions.

We discuss the long-term impacts of the 2003 restructuring in Sections V and VI of this report. In addition, we provide a comparison of the 1992 and 2003 agreements with the WTEF Operator for certain key provisions in Appendix G of this report.

SECTION IV
FINANCIAL CONDITION

OVERALL OBJECTIVE

Our objective was to report on OCRRA's financial condition.

OVERALL OBSERVATIONS AND CONCLUSIONS

OCRRA has three major revenue sources: tip fees, electricity sales, and recovered material sales. These revenues, in addition to being used to operate the waste to energy facility (WTEF) and transfer stations, are used to subsidize its general recycling programs, including mulch and composting, as well as for general administration. OCRRA's most volatile revenue source is the electricity sales.

OCRRA's finances took a significant negative hit in 2009, likely as the result of the general economic downturn, but also combined with a steep and long-term drop in rates and electricity sales income due to a contractual change in the way the rate was calculated and a reduction in waste received and processed. Other than the economic impact and change in the electricity sales contract in 2009, OCRRA's revenue sources have been relatively steady over the last 11 years.

Expenses declined significantly as a result of the 2003 bond restructuring and renegotiated contracts with the WTEF Operator. Expenses for 2012 were still below the 2001 expenses by 6.5%. However, the combination of the drop in expenses in 2004 and the drop in revenues in 2009, have made OCRRA's finances fairly volatile over the last 12 years, with significant losses from 2001 to 2003 and 2009 to 2012, and significant gains from 2004 to 2008.

Short-term, unrestricted Cash and Cash Equivalents has been declining since 2007 and Unrestricted Net Position has been declining since 2009. However, at more than $14M in Unrestricted Cash and Cash Equivalents and $9.9M in Unrestricted Net Position, unless the economy significantly declines and/or the solid waste stream is significantly reduced, OCRRA appears to have sufficient income sources, when combined with cash reserves, to sustain the Agency at least until 2015. In 2015 OCRRA could have significant changes to revenues, expenses, and operations as the result of contractual changes.

Longer term, OCRRA's financial condition will depend on the path it chooses for 2015. If the current agreement with the WTEF Operator, the Market Rate Waste Disposal

Agreement (MRWDA) goes into effect in May of 2015, there could be significant changes to OCRRA's finances and operations. If that occurs, OCRRA will have to make significant adjustments to its operations, including current revenue amounts and sources and expense amounts and programs. However, OCRRA is currently negotiating with the WTEF Operator on several options that could effect OCRRA's finances in 2015. Therefore, the long-term financial condition impact for 2015 and beyond is unknown at this time.

We are recommending several enhancements to OCRRA’s budgeting and reporting process (see **Findings and Recommendations** below) that will assist OCRRA in making these adjustments, if necessary, and assist in future budgeting and reporting efforts. We also note that OCRRA has significant assets (the site where the WTEF is located, the transfer station property and assets, etc.) that, if and when they are not needed for operations, could be sold. The proceeds of any sale of these assets could generate significant cash flow.

See Section V of this report for an analysis of the impacts of the contracts expiring in and around 2015 and Section VI for an analysis of the alternatives facing OCRRA in 2015.

METHOD

In order to complete this objective we:

- Analyzed 12 years of OCRRA's audited financial information.
- Analyzed 5 years OCRRA's budgets, comparing actual total revenues and expenses to budgeted revenues and expenses.
- Interviewed OCRRA's Executive Director, Financial Manager, engineer, and representatives from the governing body.
- Reviewed OCRRA's current contracts that impact current and future revenues, expenses, and operations.
- Asked OCRRA staff to develop and then analyzed program revenues and expenditures for 2012.

RESULTS

Short-term Financial Condition Analysis

For the period 2001 through 2012, our analysis showed that:
(See Appendices C and D for more detail financial and budget information)

Revenues

- OCRRA's primary revenue sources are tip fees from solid waste streams, electricity sales from the waste to energy facility (WTEF), and sales of materials recovered at the WTEF and the Ley Creek Transfer Station.

- Tip fee revenues (solid waste disposal fee) were the largest source of revenues for OCRRA and they held reasonably steady throughout the period analyzed. The total tip fee revenue ranged from a low of just over $18M in 2001 to a high of almost $22M in 2011, with most years in the high $19M to low $20M range.

- Electricity sales from the WTEF appear to be the most volatile revenue source during the period analyzed. The revenues from the electricity sales were steady from 2001 through 2008, generally in the $12M to $13M per year range. However, the contract with National Grid for electricity sales changed to a market rate in 2009 and the economic downturn most likely reduced the volume of waste processed to produce electricity. As a result, revenues from 2009 through 2012 fell to the $6M to $7M per year range. This loss of revenue amounts to almost $6M per year for OCRRA.

- Generally, OCRRA subsidizes its recycling programs, including the mulch and compost operations, and administrative expenses using its primary revenue sources or current reserves.

Expenses

- OCRRA's largest expense by far is for the operation of the WTEF (which includes debt service costs).

- OCRRA's operating expenses have actually declined from just over $37M in 2001 to just under $35M in 2012 or by about 6.5%. This overall decline was driven by the declining WTEF operating and debt service expenses that resulted from the debt restructuring and contract renegotiations that occurred in 2003. The WTEF expenses declined from just under $28M in 2001 to just under $24M in 2004 to $22.7M in 2012. It has held relatively steady from $22M to $24.5 M since 2004. For more information on the decline of expenses see **Section III** of this report.

Financial and Cash Position

- Historically, OCRRA has gone through periods up and downs. During the period 2001 through 2012, OCRRA had recurring Operating Losses totaling almost $34M (2004 and 2005 were the only years showing Operating Gains, totaling $.5M). However, OCRRA's Net Other Revenue totaled almost $25M during that period (averaging about $2,000,000 per year). This reduced OCRRA's total decrease in Net Position for the 12 year period by almost $9M. OCRRA's total Net Position decreased from 2001 through 2003 by almost $9M, increased from 2004 through 2008 by over $10M, and decreased again from 2009 through 2012 by just over $10M. These wide fluctuations in financial position are primarily the result of the reductions in expenses realized by the 2003 debt restructuring and contract renegotiation, and the loss of income from the changes in electricity sales rates in 2009 and the general economic downturn in 2008 and 2009.

- OCRRA's cash position improved significantly with the 2003 bond restructuring in October 2003, from approximately $7.5M at December 31, 2002 to almost $25M at December 31, 2003. However, it has steadily decreased since 2003, to just over $14M at December 31, 2012.

Budgets

- We analyzed OCRRA's budgets for the period 2007 through 2012. With the exception of 2009 and 2012 revenues, it appears the budget estimates approved by the Governing Board were reasonably accurate. Revenues came in under budget by over $10M in 2009 and $3M in 2012. OCRRA management represents that the 2009 variance was the result of a steep contractual decline in electricity sales rates and an economic downturn which affected solid waste tonnage. The hauler delivered tonnage appears to support management's assertion, dropping by over 24,000 tons between the two years. The 2012 revenue variance was primarily related to tip fees ($1.1M), electricity sales ($2.0M), and recovery materials ($.6M) revenues below estimates. **See Appendix D for budget comparisons for 2007 through 2012.**

- We analyzed OCRRA's May 2013 year-to-date budget performance report. That report shows a total revenue budget variance of $16,145 below estimate. It also shows a total operating expense budget variance of $43,028 below estimate. That makes the total OCRRA budget variance through May 2013 a positive $26,883.

Short-Term Summary:

With the exception of a steep and long-term drop in electricity sales due to a contractual change and the general economic downturn in 2009, OCRRA's revenue sources have been relatively steady. Expenses declined significantly as a result of the 2003 bond restructuring and renegotiated contracts with the WTEF Operator. Expenses for 2012 were still below the 2001 expenses by 6.5%. However, the combination of the drop in expenses in 2004 and the drop in revenues in 2009, have made OCRRA's finances fairly volatile over the last 11 years, with significant losses from 2001 to 2003 and 2009 to 2012, and significant gains from 2004 to 2008.

Unrestricted Cash and Cash Equivalents has been declining since 2007 and Unrestricted Net Position has been declining since 2009. However, at more than $14M in Unrestricted Cash and Cash Equivalents and 9.9M in Unrestricted Net Position, unless the economy significantly declines and/or the solid waste stream is significantly reduced, OCRRA appears to have sufficient income sources, when combined with cash reserves, to sustain the Agency at least until 2015. In 2015 OCRRA could have significant changes to revenues, expenses, and operations as the result of contractual changes. **See Sections V and VI of this report for additional information on these contract changes and their potential impact.**

Longer-Term Financial Condition Analysis:

If the market rate waste disposal agreement (MRWDA) goes into effect, OCRRA will be required to assist the waste to energy facility (WTEF) Operator in obtaining the municipal solid waste (MSW) from its service area. OCRRA will also be entitled a share of the MSW tip fee income if the actual tip fees the haulers agree to are above market rate tip fees established under the MRWDA. In addition, under the agreement OCRRA will not be entitled to any of the electricity or scrap metal sales income from the WTEF. However, OCRRA will also not have any responsibility for the WTEF operating costs, the costs of trucking of the ash and bypass to the out-of-county landfill and disposal, the remaining debt (Series B bonds), and the regulatory or other risks of the WTEF. The WTEF Operator will be responsible for the Series B bond payments and all costs related to the WTEF. They will also be able to bring MSW to the WTEF from outside the county for processing under certain conditions.

Under the MRWDA, OCRRA's remaining revenue sources would include: tip fees from C&D waste, yard, and food waste; sales of recycled materials from the Ley Creek Transfer Station operations, compost, and mulch sales; and grant revenues from recycling and composting. Lastly, OCRRA would be free, within legal and economic constraints, to increase revenues from other current sources and explore new sources of revenue to finance its operations.

OCRRA would eliminate expenses related to the WTEF, transportation of ash and bypass to the landfill, and other related expenses. In addition, OCRRA will have the ability to adjust other expenses, as necessary and appropriate.

We are recommending several enhancements to OCRRA’s budgeting and reporting process (see **Findings and Recommendations** below) that will assist OCRRA in making these adjustments, if necessary. We also note that OCRRA has significant assets (the site where the WTEF is located, the transfer station property and assets, etc.) that, if and when they are not needed for operations, could be sold. The proceeds of any sale of these assets could generate significant cash flow.

Overall, longer term OCRRA's financial condition will depend on the path it chooses for 2015. If the current agreement with the WTEF Operator, the MRWDA goes into effect in May of 2015, there could be significant changes in OCRRA's finances and operations. If that occurs, OCRRA will have to make significant adjustments to its operations, including current revenue amounts and sources and expense amounts and programs. However, OCRRA is currently negotiating with the WTEF Operator on several options that could effect OCRRA's finances in 2015. Therefore, the long-term financial condition impact for 2015 and beyond is unknown at this time

See Sections V and VI of this report for additional information on this topic.

FINDINGS AND RECOMMENDATIONS

Recommendation 4: Budgeting and Reporting Process

OCRRA currently has a reasonably good budget process and has received awards for its budget documents. Each year the administration prepares an annual budget document that includes an Executive Director's Message; information about the OCRRA Governing Board and management team; past budgets and results; the proposed revenues and expenses for the upcoming year with graphs; a three year comparison of budgeted revenues, expenses and system tonnages; a debt service schedule; a proposed master fee schedule; and a human resource requirements schedule. The 2013 budget document also included a 5 year capital plan for the transfer stations and recycling unit and 2012 budget document included a 3 year capital plan for the transfer stations and a 5 year capital plan for the Amboy compost site.

Once the OCRRA management completes the proposed budget document it is presented to the Administration Committee of the Governing Board, usually in August or September of each year. The Administration Committee reviews the proposed budget and fee schedule, asks questions, makes adjustments as necessary, and approves the budget document for review by the full Governing Board. The proposed budget document, including the capital plans and master fee schedule, are then presented to the full Governing Board at the next meeting. Again the Board members review, ask questions, make adjustments as necessary, and then approve the budget document, usually at their October meeting. Once approved by the full Board, the budget document becomes the official budget, capital plans, and master fee schedule for the upcoming year.

During the year of the budget, the Governing Board receives monthly reports from the Business Officer giving a summary of the highlights of the budget status and showing (all unaudited):

- A budget comparison for the previous month and year to date,
- Electric sales rates in dollars per kilowatt hour year to date,
- Tonnages year to date,
- A financial statement report showing year-to-date for the current and last fiscal years,
- A statement of net assets for the end of the last month,
- A statement of cash flows year-to-date, and
- A capital expenditure spreadsheet by month year-to-date.

At the end of the fiscal year the financial statements are prepared by OCRRA financial personnel and audited by a certified public accounting (CPA) firm. The Governing Board, along with the Onondaga County Legislature and others, receive the audited financial statements.

Currently the Governing Board does not receive program revenues and expenses (programs could include the WTEF, transfer stations, recycling, compost and mulch operations, general administration, etc.), multi-year projections of revenues and expenses, or a written financial condition analysis (similar to the above analysis) as part of their budget packages. While program revenues and expense reports are prepared internally, they are in the early stages of development, and they are not currently provided to the Governing Board.

OCRRA has had excess budgeted expenditures over budgeted revenues for the last 4 completed fiscal years, totaling over $10M. While OCRRA's budget process is basically sound, we suggest that adding the following information to the budget package and periodic budget reports would provide the Governing Board with additional information on which to base budget, fee schedule and capital plan decisions. As part of the annual budget package we recommend:

- A written analysis OCRRA's financial condition, including any significant changes in cash, current assets, current liabilities, and net unrestricted position over at least a 5 to 10 year period that may need to be addressed. It should also include an analysis of trends in revenues and expenditures over the same 5 to 10 year period, highlighting significant trends. Lastly, it should highlight any recommendations to the Governing Board for adjustments to the budgeted revenues or expenses or the master fee schedule based on the analysis performed.

- Include a statement of program revenues and expenses for the last year, along with the underlying principals. This will assist the Governing Board with managing the subsidies to the various programs with insufficient revenues.

- Multi-year projections of revenues and expenses, accompanied by the underlying assumptions. This may not be possible until after the 2015 negotiations are completed. However, after the 2015 negotiations are complete, multi-year projections should become a regular part of the annual budgeting process.

We note that an actual revenue and expense column is included in the full Annual Operating Budget document, but not in the Operating Budget Summary document given to the full Governing Board. We recommend including an actual prior year revenue and expense column in all budget documents. We also recommend including a periodic (maybe quarterly) program revenue and expense year-to-date section in with the appropriate monthly reports to the Governing Board. Lastly, we recommend both a budget comparison report and a program revenue and expense report be included in the annual report, whether or not it is part of the audited financial statements.

Depending on the results of negotiations, OCRRA could be facing some significant financial challenges beyond 2015. We believe including the above enhancements in the budget and reporting processes will assist OCRRA management and Governing Board in addressing the potential challenges and improve the focus of the budgeting process going forward. The goal is to help keep OCRRA in a strong financial position and improve accountability to the public.

SECTION V
IMPACTS OF CONTRACTS IN 2015

OVERALL OBJECTIVE

Our objective was to report on OCRRA's contracts and their significant impacts in 2015.

OVERALL OBSERVATIONS AND CONCLUSIONS

Many of OCRRA's significant contracts expire in and around 2015. In addition, the MRWDA begins in 2015 by default and in the absence of further negotiations.

As more fully explained in **Section VI** of this report, there are numerous alternatives for OCRRA in 2015. We will look at three primary alternatives, which include multiple scenarios, in detail in this report. They include:

- **Market Rate Waste Disposal Agreement (MRWDA) Default Alternative -** This is the default alternative under the current contracts. The current WTEF Operator would own the facility and be responsible for the remaining Series B bonds.

- **Service Contract Alternative -** This would involve refinancing the remaining Series B bonds and negotiating a new or extended service and related contracts or using legal means for taking the WTEF by eminent domain (condemnation) and bidding the operation of the plant through requests for proposals. Under this alternative OCRRA would retain ownership of the WTEF for an extended period and be responsible for the remaining Series B debt.

- **MRWDA Buyout Alternative -** This would involve refinancing the Series B bonds and agreeing with the WTEF Operator or using legal means (i.e. bankruptcy) to void the MRWDA. Both OCRRA and the WTEF Operator would operate as if they were at the end of the MRWDA, with the current WTEF Operator owning the WTEF facility. OCRRA and the WTEF would be free to operate independently.

Amongst the contracts expiring in and around 2015, the most important are the 2003 contracts with the WTEF Operator. In the absence of negotiations otherwise, the MRWDA begins in 2015. However, there are a number of other OCRRA contracts, some of which will be significantly impacted by one or more of the three primary alternatives.

For purposes of this analysis, we list each of OCRRA's current significant contracts in the **Results** part of this Section, describe its key features/requirements, and then provided a brief analysis of what might happen under each of the three primary alternatives.

Some of the key impacts that emerged from this analysis could have significant impact on OCRRA, the negotiations, and ultimately on the community. They are:

- The key differences between the three primary alternatives on the 2003 contracts between the WTEF Operator and OCRRA are:

  <u>WTEF Ownership</u>
  Under the MRWDA Default and the MRWDA Buyout alternatives the WTEF would be owned by the current Operator. Under the Service Contract extension the facility would be owned by OCRRA.

  <u>WTEF Capacity</u>
  The owner of the facility normally controls the facility capacity, and the facility income.

  <u>WTEF Debt</u>
  The owner of the facility also owns the Series B bond debt (at May 2015 that debt will total more than $42M); the expenses of operating the facility; and financial, regulatory and other risks associated with the facility.

- Under the Service Contract and MRWDA Buyout alternatives, OCRRA has the ability to exercise legal, contractual, and economic flow control of the waste within its service area. Under the MRWDA Default alternative, OCRRA loses legal flow control and most likely could lose or have reduced contractual flow control.

- Under the MRWDA Default alternative, the tip fees are set by a combination of the operation of the contract and negotiations with the haulers and, unless they exceed the market tip fee established under the MRWDA, belong to the WTEF Operator. Under the Service Contract and MRWDA Buyout alternatives, the tip fees would be established by direct negotiations between OCRRA and the haulers and belong to OCRRA. The tip fees established under the MRWDA Default arrangement might tend to be more market oriented, at least in the short-term, because they would not be influenced by legal flow control and would most likely be less influenced by contractual flow control.

- Under the MRWDA Default and the MRWDA Buyout alternatives, the WTEF Operator is allowed to import waste up to the maximum capacity of the WTEF if OCRRA waste doesn't fill the capacity. There are scenarios possible under the MRWDA Default and MRWDA Buyout alternatives where OCRRA could be transporting MSW waste from their service area to landfills at the same time that the

WTEF Operator would be importing waste into the County without County or OCRRA approval.

- Under the MRWDA Default alternative OCRRA retains very limited oversight over the WTEF, consisting of the right to visit and observe the facility, receive copies of weigh slips for waste received pursuant to local waste agreements, and inform DEC if concerns are raised. Under the MRWDA Buyout alternative, unless it is negotiated, OCRRA retains no oversight over the WTEF. Under the Service Contract alternative OCRRA retains full oversight over the WTEF.

- Under the MRWDA Default alternative, once the Series B bonds are paid off in May 2022 by the WTEF Operator, the MRWDA ends. At that time, the WTEF will continue to be owned by the current Operator, including the entire capacity, and the owner is not restricted as to where waste comes from for processing or the tip fee process. At the same time OCRRA also becomes untethered from the WTEF, can flow control MSW under the County law to its other facilities, contract with any facility for waste processing and disposal, and/or handle the waste itself. This is essentially the MRWDA Buyout alternative, only it happens in 2015 if the MRWDA is voided. Under a Service Contract scenario, OCRRA would be the owner of the WTEF until the end of the contract. When the extended service contact ends and what happens at the end of the contract would be the subject of negotiations.

Negotiations are currently taking place with the WTEF Operator. However, the bottom line is this: While we cannot predict the outcome of negotiations, the key tradeoffs are: tip fee rates vs control of the waste. In other words, would residents rather see lower tip fee rates or continue to pay extra for the OCRRA's additional control over the processing of waste. A MRWDA Default alternative tip fee structure would probably be lower than a Service Contract or MRWDA Buyout alternative. However, a Service Contract or MRWDA Buyout alternative would probably give OCRRA more control of the waste system in Onondaga County and more revenue to subsidize its environmental and enforcement activities than under the MRWDA Default alternative. The Service Contract alternative would also most likely prevent a situation where OCRRA's waste would be transported to landfills and at the same time the Operator is importing waste into WTEF.

Negotiations have not begun with key participants other than the WTEF Operator, including Onondaga County, the participating municipalities, and the haulers. Regardless of which way the negotiations go, MRWDA, Service Contract or MRWDA Buyout alternative, OCRRA will likely have to negotiate with these key participants.

For more information on the alternatives of each WTEF alternative, please see Section VI of this report.

METHOD

In order to complete this objective we:

- Analyzed the 2003 restructuring documents, including the related contracts with the WTEF Operator.
- Analyzed OCRRA's other significant contracts that might have an impact in 2015.
- Interviewed OCRRA's Executive Director, Legal Counsel, Business Officer, former Executive Director, other officers and managers, and representatives from the Governing Board.
- Reviewed the Governing Board’s 2015 Committee report.

RESULTS

As more fully explained in **Section VI** of this report, there are numerous alternatives for OCRRA in 2015. We will look at three primary alternatives, which include multiple scenarios, in detail in this report. They include:

- **Market Rate Waste Disposal Agreement (MRWDA) Default Alternative -** This is the default alternative under the current contracts. The current WTEF Operator would own the facility and be responsible for the remaining Series B bonds.
- **Service Contract Alternative -** This would involve refinancing the remaining Series B bonds and negotiating a new or extended service and related contracts or using legal means for taking the WTEF by eminent domain (condemnation) and bidding the operation of the plant through requests for proposals. Under this alternative OCRRA would retain ownership of the WTEF for an extended period and be responsible for the remaining Series B debt.
- **MRWDA Buyout Alternative -** This would involve refinancing the Series B bonds and agreeing with the WTEF Operator or using legal means (i.e. bankruptcy) to void the MRWDA. Both OCRRA and the WTEF Operator would operate as if they were at the end of the MRWDA, with the current WTEF Operator owning the WTEF facility. OCRRA and the WTEF would be free to operate independently.

For purposes of this analysis, we list each of OCRRA's current significant contracts, describe its key features/requirements and then provided a brief analysis of what might happen under each of the three primary alternatives.

WTEF Operator Contracts

Service Contract
This contract provides for the operation of the WTEF and the related payments to the WTEF Operator for their services and expenses (operation and maintenance fee, excess costs fee, excess waste fee, etc.). This contract spells out the requirements that the WTEF Operator must comply with (environmental, operational, financial, etc.). It also spells out OCRRA's responsibilities and rights, including financial, oversight, and risks. This contract officially ends on May 9, 2015.

Facility Lease
The WTEF Operator leases the WTEF from OCRRA for the period October 10, 2003 (originally 1992) through May 9, 2015, and uses the WTEF for the stated purposes. WTEF Operator also agrees to operate the WTEF in accordance with the Service Contract signed at the same time. The amount of the annual lease payments are essentially equal to the principal and interest due on the 2013 Senior Lien Revenue Refunding Bonds (Series A) issued on October 10, 2003. On May 9, 2015, with proper notice to OCRRA, the WTEF Operator may purchase the WTEF for $1 and assume responsibility for the Series B bonds (approx. $42M).

Site Lease
This lease is for the real property site under the WTEF. It is for the initial period October 10, 2003 (originally 1992) through May 9, 2015. The purpose of the lease is for construction and operation of a WTEF. At least 270 days prior to the end of the initial lease period (August 12, 2014) the WTEF operator must notify OCRRA whether they are going to 1) purchase the site for fair market value; 2) renew the site lease for 7 years to May 9, 2022; or 3) remove the improvements (WTEF and other improvements) from the site. If the WTEF operator decides to purchase the site, they can pay the fair market value (FMV) for the land. If the parties can't agree on a FMV, it will be determined through a process outlined in the contract. The WTEF Operator can require OCRRA to finance the purchase for 7 years with level annual principal payments. If the WTEF Operator decides to lease the site from May 2015 through May 2022, the annual payment for the lease is $1 per year.

If the WTEF Operator renews the lease for the site instead of purchasing it, after the additional 7 year site lease renewal period, the WTEF operator may, with 180 days notice, extend the site lease for one or more additional periods of 5 years each, up to a total of 45 years after the Acceptance Date (1995). Any extensions of the site lease beyond the site lease renewal period (to May 9, 2022) are at FMV. Provisions in the contract spell out the process for determining FMV if the WTEF Operator and OCRRA can't agree. If the site lease is not extended, the WTEF Operator must remove the improvements from the site. (See also the Put Option Contract below.)

Put (Site Purchase) Option

If the WTEF Operator has not acquired the title to the site of the WTEF by May 9, 2022, OCRRA has the right, with proper notice (no earlier than 360 days prior to and no later than 270 days prior to May 9, 2022), to require the WTEF Operator to purchase the site from OCRRA at FMV. The process for determining the FMV if the parties cannot agree is spelled out in the contract.

Market Rate Waste Disposal Agreement (MRWDA)

The MRWDA takes over from the Service Contract on May 9, 2015. The term of the contract is for 7 years from date of commencement (May 9, 2022) unless extended by the parties.

Under the MRWDA (default agreement) the WTEF Operator is:

- Required to operate and maintain the WTEF to dispose of Subject Acceptable Waste (defined in the contract).
- Responsible for collecting tip fees. Those tip fees become the Operator's unless they exceed the Market Rate Tip Fee (MRTF) established under the MRWDA. If that happens, the excess tip fee goes to OCRRA.
- Responsible for all costs of operating the WTEF, including the transportation and disposal of ash residue and overflow waste, which are currently OCRRA's responsibility.
- Required to keep certain records and provide them to OCRRA.
- Required to allow OCRRA staff to visit the facility during regular business hours.
- Required to maintain insurance on the facility.
- Required to pay property taxes because they would own the WTEF.
- Allows the importation of waste into the County if there is capacity and capacity is the difference between the maximum plant capacity and the waste from the OCRRA service area.

Under the MRWDA Default OCRRA:

- Must use all commercially reasonable efforts to sign haulers at Market Tip Fee (MTF) rates.

- Must assign certain rights under those contracts to the WTEF Operator.

- May not require haulers to deliver waste to anywhere other than the WTEF or OCRRA transfer stations for delivery to the WTEF.

- May not interfere with the delivery of solid waste to the WTEF.

- May not use any ability to enforce flow control within the OCRRA service area in any manner which adversely affects WTEF Operator or the WTEF.

- May not construct, acquire, etc. competing facilities.

- Must deliver OCRRA generated acceptable waste, excluding acceptable waste derived from C & D debris, from its processing or recycling or transfer station facilities to the WTEF at the MTF less OCRRA's handling, processing and transportation costs.

- Retains very limited oversight over the WTEF, consisting of the right to visit and observe the facility, receive copies of weigh slips for waste received pursuant to local waste agreements, and work with DEC if concerns are raised.

- Is responsible for their costs associated with the administration of the MRWDA.

<u>Under the MRWDA Default Alternative</u>
The Service Contract expires in May 2015 and the Put (site purchase) contract doesn't come into play until May of 2022. In May 2015 the Facility Lease allows the WTEF Operator to purchase the facility for $1 and assume responsible for the Series B bond (approximately $42M). Beyond that, the most significant of the contracts relative to May 2015 are the Market Rate Waste Disposal Agreement (MRWDA) and the Site Lease.

The long-term impact from the 2003 restructuring, including the MRWDA and Site Lease (see the details of these contracts above), on OCRRA is complex and dependent on several factors. If OCRRA proceeds under the MRWDA, although further negotiation with the WTEF Operator could result in changes, the impacts on OCRRA are as follows:

- OCRRA retains its responsibility for the waste system within the participating municipalities after May 2015. However, under the MRWDA it must assign all rights to MSW within the area to the WTEF owner and operator until May 2022 when the Series B bonds will be paid off. That could mean for the period May 2015 to May 2022, OCRRA could lose the current system of legal and contractual flow control involving haulers and the participating local governments. It might be difficult to recover this system once its gone and OCRRA attempts to reassert its control in the service area in 2022.

- Current WTEF revenue sources (tip fees from MSW and electricity revenue) will be collected by and will be the property of the WTEF Operator. The Operator will only be required to pay over to OCRRA the portion of the tip fees that OCRRA negotiated with and the haulers actually pay above the Market Rate Tip Fees (MRTF) established under the MRWDA. Therefore OCRRA's share of the MSW tip fees will depend on negotiations that it conducts with the haulers. OCRRA will keep tip fees from C&D, food, and yard waste, and scrap, mulch, and compost sales revenues but is also responsible for the related disposal costs, where necessary.

- Eliminate current OCRRA expenses related to the WTEF operation, including trucking and disposal of ash residue. This will reduce OCRRA related trucking, disposal and other expenses.

- Reduces OCRRA's risk (financial, change of law, regulatory, liability, etc.) related to the WTEF to zero because the plant will be owned by the Operator, not OCRRA.

- Retains very limited oversight over the WTEF, consisting of the right to visit and observe the facility, receive copies of weigh slips for waste received pursuant to local waste agreements, and inform DEC if concerns are raised.

- After May 2015, OCRRA could choose to increase revenues from existing or new sources, reduce expenses, negotiate a different arrangement with the current WTEF Operator, or choose another course. The options OCRRA chooses are not currently fixed in contract and will determine whether OCRRA will generate sufficient revenues to fund its remaining expenses. See **Section VI, Alternative 1, Scenario 1** for a more complete list of possible additional revenues and potential reduction of expenses.

- The MRWDA ends and the Series B bonds are paid off in May 2022. At that time, the WTEF will continue to be owned by the current Operator, including the entire capacity, and the owner is not restricted as to where waste comes from for processing or the tip fee process. At the same time OCRRA also becomes untethered from the WTEF, the County can flow control to OCRRA's other facilities, contract with any facility for waste processing and disposal, and/or handle the waste itself.

<u>Under Service Contract Alternative</u>
Its difficult to say what a Service Contract would look like before it is actually negotiated. However, under the current contracts OCRRA's WTEF operating expenses have exceeded revenues by over $2.7M in 2012 and most likely OCRRA would become

responsible for the Series B debt of over $42M at May 9, 2015. So the challenge for OCRRA will be, if they choose this route, to negotiate a Service Contract that allows them to generate enough income to subsidize its recycling, mulch and composting operations, and enforcement and public education activities, as well as any general administrative expenses, and keep the tip fees reasonable. Under a Service Contract Scenario, OCRRA would be the owner of the WTEF until the end of the contract (this could be before or after 2022). When the extended service contract would end and what happens at the end of the contract would be the subject of negotiations.

Under the MRWDA Buyout Alternative

Under the MRWDA Buyout alternative OCRRA would operate as if they were at the 2022 stage of the agreement with the WTEF Operator. What that means is the current Operator will own the entire capacity of the WTEF. In addition, the WTEF owner is not restricted as to where waste comes from for processing or the tip fee process. At the same time OCRRA also becomes untethered from the WTEF, could ask the County to flow control to its other facilities, contract with the WTEF Operator or a landfill for waste disposal, and continue the OCRRA System of contracting with the local governments and the haulers. Most likely under this alternative OCRRA would have the ability to subsidize its recycling, compost, and public education programs. The Series B debt would have to be refinanced. Who would become responsible for the debt would be the subject of negotiations. Under the MRWDA Buyout alternative, OCRRA retains no oversight over the WTEF. Under this alternative, the elimination of the MRWDA, the ownership of the site, the amount of debt and compensation to accomplish that, the processing of waste by the WTEF, and the oversight of the WTEF could all be the subject negotiations for one contract with the WTEF Operator.

Solid Waste Management Program Contract (SWMPC)

This program contract with Onondaga County was signed on June 1990 and expires 25 years from that date (June 2015). It delegates the County's authority and responsibility for solid waste management to OCRRA and sets out the County's responsibilities and the County's expectations for OCRRA. **For more information, detail expectations, and OCRRA's related accomplishments please see Section II of this report.**

Under All Three Alternatives

We are unsure of the impact after this contract expires. Most likely, OCRRA would still have responsibility for solid waste management within its service area after the expiration of the SWMPC. However, OCRRA has not begun negotiations with Onondaga County or even determined, jointly with the County, if there is still a need for this contract.

Under MRWDA Default and MRWDA Buyout Alternatives

The current SWMPC and County Local Laws require OCRRA to prevent the importation of waste into the County. The MRWDA allows the WTEF Operator to import waste into the County under certain conditions. Under either of these alternatives, because the

WTEF Operator would own the facility, most likely the County waste importation laws would not apply to the WTEF.

Waste Hauler Contracts

- Contract term is from 2011 through 2014.
- Haulers contractually agree to deliver all Onondaga County MSW to OCRRA.
- Construction and demolition debris are not covered in the contract.
- Tipping rates per ton are (large haulers receive a $4/ton payment discount):

	Large Haulers in Good Standing	Small Haulers	Others
2011	$70	$74	$90
2012	$70	$74	$90
2013	$75	$79	TBD
2014	$75	$79	TBD

- Contracts include recycling requirements and standards and other legal and contractual requirements on the collection, transportation and disposal of waste in the OCRRA service area.

Under the MRWDA Default Alternative
A market tip fee (MTF) is established under the MRWDA and OCRRA will at least initially remain involved in negotiating with the haulers. If OCRRA can't reach agreement with the haulers within 90 days after the MTF has been established, the WTEF Operator gets involved and could ultimately refuse to settle with the haulers or OCRRA. If that occurs, then OCRRA can negotiate a tip fee for landfill disposal. Once OCRRA has a landfill disposal option and tip fee, OCRRA must offer that to the WTEF Operator as the tip fee for the WTEF. If the WTEF Operator refuses that tip fee, then OCRRA is responsible for the MSW disposal delivered to it and the WTEF Operator may be able to import waste into the WTEF up to capacity. If all of that occurs, it could set up a situation where OCRRA would be transporting the waste from its service area to landfills and the Operator would be importing waste from outside the area into the WTEF.

Under Service Contract Alternative
OCRRA could again be fully responsible for the negotiations with and the signing and maintenance of the hauler contracts. Because OCRRA would still own the WTEF and not have any restrictions on tip fees, the Agency could use legal and contractual flow control to help manage tip fees. In addition, the County Local Laws on flow control and

prohibiting the importation of waste into the County would most likely still be in effect for all of OCRRA's facilities.

Under the MRWDA Buyout Alternative

The County could flow control to the OCRRA transfer stations and, depending on all of the other contracts, OCRRA could again be fully responsible for the negotiations with and the signing and maintenance of the hauler contracts. OCRRA could use legal and contractual flow control to help manage tip fees.

Waste Management/High Acres Landfill Contract

- The Contract term runs through May 31, 2015, with five (5) options for extension, the first being an OCRRA's option and the following four being mutual contract options.

- Disposal charges for the balance of the contract for the period June 1 through May 31 of the following years, are:

Period	Ash per ton	By-pass per ton Up to 20,000 tons/mo.	By-pass per ton Over 20,000 tons/mo.
2011-12	$16.00	$22.00	$21.00
2012-13	$16.00	$22.00	$21.52
2013-14	$16.40	$22.55	$22.06
2014-15	$16.81	$23.11	$22.61
2015-16 (opt.)	$17.23	$23.69	$23.29
2016-17 (opt.)	$17.66	$24.28	$23.99
2017-18 (opt.)	$18.10	$24.89	$24.71
2018-19 (opt.)	$18.56	$25.51	$25.45
2019-20 (opt.)	$19.02	$26.22	$26.22

- Maximum amount of by-pass waste from OCRRA is 340,000 tons per year.

- Requires delivery of all OCRRA non-recycled ash and by-pass to the High Acres Landfill.

Under the MRWDA Default Alternative

OCRRA will not be responsible for disposal of ash from the WTEF or excess MSW. As long as OCRRA exercises the option to renew this contract in 2015 and OCRRA and Waste Management jointly exercise the option in the four successive years, the contract will remain in effect as is and OCRRA could use it for waste disposal, as necessary. If OCRRA doesn't exercise its option to renew or either party chooses not to renew the contract in the 4 successive years, the Agency could look for other, more favorable options for disposal. OCRRA is currently reviewing and evaluating its landfill options.

Under Service Contract Alternative
As long as OCRRA exercises the option to renew this contract in 2015 and OCRRA and Waste Management jointly exercise the option in the four successive years, the contract would remain in effect as is and OCRRA could use it for ash and other waste disposal as necessary. If OCRRA doesn't exercise its option to renew or either party chooses not to renew the contract in the 4 successive years, the Agency could look for other, more favorable options for disposal of ash and bypass. OCRRA is currently reviewing and evaluating its landfill options.

Under the MRWDA Buyout Alternative
As long as OCRRA exercises the option to renew this contract in 2015 and OCRRA and Waste Management jointly exercise the option in the four successive years, the contract would remain in effect as is. Depending on negotiations and the availability of the WTEF, OCRRA could use this landfill for disposal. If OCRRA doesn't exercise its option to renew or either party chooses not to renew the contract in the 4 successive years, the Agency could look for other, more favorable options for disposal. OCRRA is currently reviewing and evaluating its landfill options.

Municipal Recycling Facility (MRF) Contracts

- Contract term is four (4) years, from January 1, 2011 through December 31, 2014, with two (2) one-year mutual option extensions.
- While there were recently two MRF vendors. However, as a result of a fire in July 2013, currently there is one operational MRF vendor.
- $0 tip fee to haulers dropping off curbside recyclables.
- MRF's pay OCRRA a $.25/ton for a public education fund.
- The main purpose of this contract is to maximize separation and marketing of recyclables from waste stream.
- Residue from MRF's after removal of recyclable materials must go to OCRRA. The acceptable amount of recyclables in the residue stream is not specifically defined.
- A formula based on published market prices, determines what amount, if any, is paid from the MRFs to, or from, OCRRA.
    - If blended average is below $60/ton threshold, OCRRA pays the difference, but never more than $5/ton (i.e. $2.25/ton if blended average is $57.75).

- If blended average is between $60 and $100 per ton, OCRRA pays zero $/ton.
- If blended average is above $100 threshold, OCRRA receives a revenue share.

Under the MRWDA Default Alternative
Residue from MRF's after removal of recyclable materials must go to the WTEF. Other than that, these contracts are unaffected and OCRRA remains fully responsible for all recycling.

Under Service Contract and MRWDA Buyout Alternatives
These contracts are unaffected and OCRRA remains fully responsible for all recycling.

National Grid (formerly Niagara Mohawk) 1984 Electricity Contract

Original 1984 Contract

- Requires sale of all power exported from the WTEF to be with National Grid.
- OCRRA rate from start up until January 6, 2009 is the higher of $.06/kwh or market rate.
- The 1984 Contract is between the County and Niagara Mohawk with OCRRA as the Agency/Assignee of the County.
- The contract runs from January 6, 1984 for 25 years through January 6, 2009.
- The contract cannot be assigned without the prior written consent of the other party.

Second Contract – August 13, 1993 to Present

- This is a "wrap around" contract that runs for 30 years from plant acceptance in February 1995.
- Identifies the price to be paid for electricity from January 7, 2009, through December 31, 2025:
    - From 2009 through 2016 – 100% of No. 6 "market tariff rate"
    - From 2016 through 2025 – 83% of No. 6 "market tariff rate" if OCRRA pays $12M up front cash on September 30, 2015 or 77.5% of No. 6 "market tariff rate" and if OCRRA pays no up front cash.
- From 2000 on, National Grid will pay contract price up to 243,000,000 kwh/year and tariff rate for qualifying facilities/small power production facilities for any electricity in excess of that amount in any year.

- If primary fuel changes from solid waste, National Grid can cancel.

- Is an output contract – OCRRA agrees to sell all of plant's exported power to National Grid and National Grid agrees to buy it all.

- OCRRA can sell some or all of power to non-National Grid customers with National Grid's written consent. This consent will not be withheld unless National Grid shows it needs the capacity.

<u>Under the MRWDA Default and MRWDA Buyout Alternatives</u>
Unless otherwise negotiated, OCRRA will not receive any income from the sale of electricity from the WTEF. Whether this contract will apply to the WTEF Operator after May 9, 2015, remains uncertain and could be disputed by the WTEF Operator or National Grid. The impact on OCRRA from any contract dispute is unknown at this time.

<u>Under Service Contract Alternative</u>
This contract will remain in effect as is unless re-negotiated. OCRRA's share of the revenues from the sale of electricity will depend on negotiations with the WTEF Operator. However, the revenues from the sale of electricity could again decline after 2016 because the method of calculating the rates changes.

Municipal Delivery Contracts

- Contracts with 33 municipalities in Onondaga County (All municipalities, including the City of Syracuse, towns, and villages, except for the Town and Village of Skaneateles).

- Municipalities agreed to "deliver or cause the delivery" of all MSW from their community to the OCRRA System.

- The contract term is for 25 years from date of execution but may be terminated earlier if all obligations under any project agreement have been satisfied. The execution dates started with the City of Syracuse on November 2, 1988. The last contract to expire will be the Town of DeWitt on February 27, 2015. **A full list of municipal delivery contracts, with the date of contract and expiration date for each, can be found in Appendix E.**

- OCRRA agrees to establish all necessary disposal and recycling facilities.

- OCRRA agrees to invoice haulers on a per ton basis for services provided.

- Municipalities can establish their own recycling programs as long as they do not conflict with OCRRA's recycling program.

Under the MRWDA Default Alternative
OCRRA is required to give its best effort to ensure the flow of waste from its coverage area to the WTEF. OCRRA has not begun re-negotiating these contracts. Whether OCRRA will re-negotiate these contracts is uncertain.

Under Service Contract and MRWDA Buyout Alternative
OCRRA would need to renegotiate the municipal delivery contracts to ensure the flow of waste from its coverage area to the WTEF or the transfer stations, depending on the alternative. OCRRA has not begun re-negotiating these contracts. Whether and when OCRRA will re-negotiate these contracts is uncertain.

Labor Contract

- For the period January 1, 2011 through December 31, 2014.

- Annual wage increases:
  3% for 2011 retro to 1/1/2011
  2% for 2012
  2% for 2013
  2% for 2014

- Health insurance remained at 80%/20% – Agency/Union member.

- Incentive Program – The new incentive program pays workers 20% of revenue from separated metal and cardboard, to be shared equally by all represented workers as long as 82% Ley Creek separation effectiveness is achieved. Percentage increases to 22% if Ley Creek separation efficiency meets or exceeds 88% for the entire year.

Under the MRWDA Default Alternative
The Union Contract will have already expired by May 2015. OCRRA will no longer be responsible for transporting ash to the landfill. So, unless OCRRA negotiates a contract with the WTEF Operator to transport ash to the landfill, related staffing will likely be reduced. In addition, since OCRRA will no longer own or be involved in the WTEF, they may have to review administrative staffing that are currently involved in the WTEF oversight, finances, and other functions.

Under Service Contract Alternative

The terms of this contract will remain unchanged and there would likely be minimal impact on staffing.

Under the MRWDA Buyout Alternative

The Union Contract will have already expired by May 2015. OCRRA will no longer be responsible for transporting ash to the landfill. So staffing could likely be reduced. However, if OCRRA begins transporting MSW from the transfer stations to the landfill, staffing will likely increase. In addition, since OCRRA will no longer own or be involved in the WTEF, they may have to review administrative staffing that are currently involved in the WTEF oversight, finances and other functions.

Host Community Contracts

Town of Onondaga

- Signed in May 1991, the contract is for 25 years from December 1, 1992.

- OCRRA pays operation and maintenance apportioned costs for lighting, drainage, sewer and water districts.

- OCRRA makes a one time $100,000 payment for the Southwood Fire District.

- Host Community Payments:

   a. For the first five years $200,000/yr. adjusted by CPI commencing December 1, 1992.
   b. Thereafter OCRRA makes an annual payment for the Town's reasonable costs and expenses related to the WTEF, but not less than $100,000 per year nor more than $300,000 in sixth year and then adjusted upward annually by CPT. (Town has billed minimum adjustment).

- Obligations continue unless WTEF closes for more than 60 days and if it closes for more than 3 years, then Agency must demolish the facility.

Town of Van Buren Interim

- Original contract term is January 1, 1998, through December 31, 2007.

- The contract automatically renews for another 5 years through December 31, 2012.

- After December 31, 2012, the contract continues with one year options unless either party opts out with advance written notice.

- OCRRA pays the Town a PILOT of $44,000 per year plus $6,000 per year fire assessment, both subject to an escalator of a maximum of 2% per year.

- There is an expectation that a permanent contract would be negotiated if Agency proceeds with Site 31 development.

Under the MRWDA Default and MRWDA Buyout Alternatives
OCRRA would not own the WTEF any more, so there would be no more need for the host community contract with the Town of Onondaga. The contract with the Town of Van Buren is currently year-to-year at OCRRA's discretion and would be unaffected by the MRWDA or the ownership or operation of the WTEF.

Under Service Contract Alternative
OCRRA would still own the WTEF, so the host community contract with the Town of Onondaga would likely continue. The contract with the Town of Van Buren would be unaffected by the Service Contract or the ownership or operation of the WTEF.

Amboy and Jamesville Compost Site Leases

- Base lease terms run August 1, 2007 through July 31, 2022 (15 years), with three five (5) year mutual option extensions.

- Sites can only be used for composting and related activities/uses.

- Rent is $2,500.00 per year each, no escalators.

- OCRRA must maintain fence at Amboy and remove tank and deteriorated structures.

- OCRRA will not be reimbursed for the site cleanup and removal expenses.

- After first five (5) years have passed, Agency may cancel lease on one (1) year advance written notice.

- OCRRA can pave portions of the sites and erect buildings but at the end of lease they become Onondaga County’s unless removed.

- OCRRA can extend utilities at its own cost.

- OCRRA is subject to NYS DEC permit to operate inspections.

Under All Alternatives

These leases are unaffected by the MRWDA or the ownership or operation of the WTEF.

For more information on the alternatives, please see Section VI of this report.

FINDINGS AND RECOMMENDATIONS

Recommendation 5: Negotiations with the County and Participating Local Governments

Under the Market Rate Disposal Agreement (MRWDA) the Solid Waste Management Program Contract (SWMOC) with Onondaga County expires in June of 2015. In addition, the Municipal Delivery Contracts (MDCs) with the 33 local governments that make up the OCRRA service area expire between November 2013 and February 2015. The SWMPC calls for the creation and maintenance of a solid waste system (the System) and delegated the development and maintenance of that System to OCRRA. That System was and is the basis for achieving the County solid waste management goals, as laid out in the County Solid Waste Management Plan.

During the course of our work we asked about the status of negotiations with the County on the SWMPC and the local governments on the MDCs. We were informed there have been informal meetings with various County and participating local government leaders. We are also aware there are Governing Board members appointed by the County Executive and Legislature, City of Syracuse, and the Towns of Onondaga and Van Buren. However, we were told that negotiations had not begun with either the County on the SWMPC or the participating local governments on the MDCs.

The SWMPC with the County provides the framework for OCRRA's direction and operations. While there is no explicit requirement for updating/renegotiating the SWMPC, having updated, clear program information and direction from the OCRRA's sponsoring local government would likely be helpful and may even be critical to OCRRA as they progress through this critical time of negotiations. In addition, the County must approve certain OCRRA actions and has at least set some of the legal framework in which OCRRA operates. Negotiations and an updated contract would provide a clear framework for OCRRA for the 2015 negotiations, as well as set a clear operating framework for OCRRA and the County relationship going forward.

The local government MDCs provide one of the key parts of the legal and contractual framework for holding the OCRRA System together. They contain the contractual requirement the local governments provide their solid waste to the System. If the local governments are not part of the discussions through the MDC negotiation process, they may not support the outcome. If they do not support the negotiated outcome for

2015 and beyond, or for any other reason will not sign onto MDCs, OCRRA will have a more difficult time enforcing the multiple level flow control that supports the System.

The early negotiation and completion of an SWMPC and the MDCs could be helpful in establishing high level direction for negotiations and further interaction. Having the County and participating local governments engaged early in the process also promotes, in a direct way, their participation in and support for the key community decisions that have to be made. The result would hopefully be support for OCRRA through successful negotiations and in maintaining the System.

For information on the alternatives facing OCRRA see Section VI of this report.

SECTION VI
SOLID WASTE ALTERNATIVES

OVERALL OBJECTIVE

Our objective was to report on OCRRA's solid waste alternatives going forward.

OVERALL OBSERVATIONS AND CONCLUSIONS

As more fully explained in the previous sections of this report, OCRRA operates within a framework of complex requirements and constraints. These requirements and constraints fall into the following broad categories: legal, contractual, financial, environmental, debt, services, etc. In order to fully understand this Section, it is important to read and understand the previous Sections of the report.

There are numerous alternatives for OCRRA in 2015. We will look at three primary alternatives, which include multiple scenarios, in detail in this report. They include:

- **Market Rate Waste Disposal Agreement (MRWDA) Default Alternative -** This is the default alternative under the current contracts. The current WTEF Operator would own the facility and be responsible for the remaining Series B bonds.

- **Service Contract Alternative -** This would involve refinancing the remaining Series B bonds and negotiating a new or extended service and related contracts or using legal means for taking the WTEF by eminent domain (condemnation) and bidding the operation of the plant through requests for proposals. Under this alternative OCRRA would retain ownership of the WTEF for an extended period and be responsible for the remaining Series B debt.

- **MRWDA Buyout Alternative -** This would involve refinancing the Series B bonds and agreeing with the WTEF Operator or using legal means (i.e. bankruptcy) to void the MRWDA. Both OCRRA and the WTEF Operator would operate as if they were at the end of the MRWDA, with the current WTEF Operator owning the WTEF facility. OCRRA and the WTEF would be free to operate independently.

There are also at least four (4) criteria for evaluating the alternatives/scenarios. They are:

- Finances - Tip fee rates, debt requirements, OCRRA's overall finances
- Risks - Change in law or regulations, tonnage, electricity sales, disaster, etc.
- Environment - WTE vs landfill, recycling, continuity of the OCRRA System
- Community - Importing waste, oversight of WTEF, flow control

The ultimate decision on how to proceed and what alternative and scenario to pursue involves a balancing of the above criteria between competing goals and interests. OCRRA's management and Governing Board, with the County in a supporting role, are in the best position to balance the competing goals and interests to achieve what they believe is in the best interest of the community.

Based on our analysis, we recommend the following next steps for OCRRA:

- The early negotiation and completion of a solid waste management program contract (SWMPC) with Onondaga County and municipal delivery agreements (MDA) with the participating local governments.

- Expeditiously develop the information necessary to negotiate the market rate tip fee (MRTF) with the WTEF Operator and begin the negotiations with the haulers.

- Fully develop all MRWDA information and scenarios and fully discuss and evaluate them with the negotiating team and Governing Board and engage a range of alternatives.

After completing current negotiations and the 2015 issues are settled, if either the MRWDA or service contract is the current chosen alternative, OCRRA should immediately begin addressing the range of options for May 2022 or the end of the service contract. Starting now will help ensure there is sufficient time to fully evaluate the options and do what will be necessary to achieve the option most advantageous for OCRRA and the community when the post 2015 stage ends.

METHOD

In order to complete this objective we:

- Reviewed relevant contracts associated with the WTEF Operator, County, haulers, and local governments in the OCRRA System, and other related contracts.

- Interviewed the Executive Director, Business Officer, In-House Counsel, Engineer, Transfer Station Supervisor, Former Executive Director, Negotiation Counsel, and various Governing Board Members.

- Requested and analyzed research and financial information from OCRRA management and staff.

- Worked with OCRRA management and staff to develop 2012 actual financial information by program.

RESULTS

Summary of OCRRA's Current Key Requirements and Constraints

As more fully explained in the previous Sections of this report, OCRRA operates within a framework of complex requirements and constraints. These requirements and constraints fall into the following broad categories: legal, contractual, financial, environmental, services, and debt. Some of OCRRA's significant requirements and constraints include:

- NYS laws, including all or parts of Public Authorities Law, General Municipal Law, Environmental Conservation Law, etc.

- Onondaga County laws, including source separation, flow control, and prohibition on the importation of waste into the OCRRA System.

- Current agreements and contracts between OCRRA and various parties that set out the rights and responsibilities of the parties. While these are more fully discussed and explained in **Section V** of this report, they include:

    - The 1990 contract between OCRRA and Onondaga County that lays out a series of expectations for OCRRA. These expectations are spelled out in more detail in the "Expectations" Section (II) of this report, including pre-defining the OCRRA primary disposal method as waste-to-energy.

    - WTEF related contracts (Solid Waste Disposal Service, Market Rate Waste Disposal, Facility and Site Lease, Put Option (Site Purchase), Guarantee) that set the ownership, operating, risk, and financial requirements for the WTEF, both pre and post May 2015.

  - Commercial hauler contracts and permit requirements that set out the responsibilities and requirements for OCRRA's interaction with the permitted waste haulers.

  - Intermunicipal contracts with 33 local governments in Onondaga County that set out the responsibilities, rights, and financial aspects for OCRRA and the participating local governments in the System

  - Labor contracts that spell out OCRRA and the union's responsibilities, rights, and financial aspects.

- Currently OCRRA's estimates show it had overall net operating losses in 2012 of over $5M and in 2011 of over $1M. OCRRA had net operating losses attributable to the WTEF of over $2.7M in 2012 (including debt service). The loss on the WTEF includes the operation and maintenance fee which has the Waste to Energy Facility (WTEF) Operator's costs and profit built into it.

- Costs for services with inadequate revenue streams. These services include: recycling (including "blue bins"), composting, hazardous waste (including battery and mercury collection), user education, and enforcement.

- United States and NY State environmental laws and regulations that set out the environmental protection and NY State Department of Environmental Conservation (DEC) monitoring requirements.

- There are a number of waste streams OCRRA manages within its System, each of which is treated differently. They include: municipal solid waste (MSW), the general household waste category, construction and demolition (C & D), roofing, food, yard, recycling, and household hazardous waste.

- There are two (2) series of debt currently outstanding, Series A and Series B. The Series A bonds, which will be paid off by May 9, 2015, and are secured by all of OCRRA's revenues. The Series B bonds, which will be over $42M by May 9, 2015, are secured by WTEF revenues only, not all OCRRA revenues.

In order to fully understand this Section, it is important to read the previous Sections of the report.

OCRRA's Preparation for 2015 Alternatives

Before we began our work, OCRRA's management indicated their key preparations for the negotiations included the following:

- Established a committee of the Governing Board, the 2015 Committee (the Committee). The Committee conducted research on OCRRA's background and legal and contractual requirements and produced a report in November 2011. This report looked at the various alternatives and the financial and other impacts of those alternatives.

- Conducted research:
  - Annually reviewed the WTEF Operator 10-K filings
  - Conducted case studies on other WTEF Operator negotiations
  - Updated the Governing Board on other WTEF Operator deals
  - Researched other WTEF Operator Service Agreements/Negotiations
  - Met with other WTEF Operator Client Communities
  - Estimated the WTEF Operator profits under the Service Agreement & MRA (included in 2015 Committee report)
  - Hired a consultant to produce a report on O&M Cost / Profitability Analysis of 11 other WTE Facilities
  - Hired a consultant to produce a report on the WTEF 5 year repair & replacement schedule
  - Attended the North American WTE Conference (NAWTEC).
  - Received and reviewed weekly email updates from the Energy Recovery Council and WTEF Operator.

- Prepared a model of service agreement variables/negotiating points that showed the estimated effect of the scenarios on both OCRRA and Covanta.

- Hired a professional negotiator in 2012.

- Established a negotiating team.

- Held negotiating team internal strategy sessions.

When we started our review OCRRA had not conducted the Market Rate Study to determine the market rate tip fee (MRTF) for the negotiations with the WTEF Operator, as suggested in the 2003 MRWDA. OCRRA has also not begun official negotiations with Onondaga County (County) on an updated Solid Waste Management Program Contract (SWMPC), with the local governments located within OCRRA's service area on a new municipal disposal contract (MDC), or with the haulers that operate within the OCRRA system on a new hauler contract. After we started, OCRRA approved a contract to conduct a market rate study and appraisal of the WTEF and developed an outreach program to meet with local government officials.

2015 Alternatives

There are numerous alternatives for OCRRA in 2015. We will look at three primary alternatives, which include multiple scenarios, in this report. They include:

- **Market Rate Waste Disposal Agreement (MRWDA) Default Alternative -** This is the default alternative under the current contracts. The current WTEF Operator would own the facility and be responsible for the remaining Series B bonds.

- **Service Contract Alternative -** This would involve refinancing the remaining Series B bonds and negotiating a new or extended service and related contracts or using legal means for taking the WTEF by eminent domain (condemnation) and bidding the operation of the plant through requests for proposals. Under this alternative OCRRA would retain ownership of the WTEF for an extended period and be responsible for the remaining Series B debt.

- **MRWDA Buyout Alternative -** This would involve refinancing the Series B bonds and agreeing with the WTEF Operator or using legal means (i.e. bankruptcy) to void the MRWDA. Both OCRRA and the WTEF Operator would operate as if they were at the end of the MRWDA, with the current WTEF Operator owning the WTEF facility. OCRRA and the WTEF would be free to operate independently.

There are also at least four (4) criteria for evaluating the alternatives/scenarios. They are:

- Finances - Tip fee rates, debt requirements, OCRRA's overall finances
- Risks - Change in law or regulations, tonnage, electricity sales, disaster, etc.
- Environment - WTE vs landfill, recycling, continuity of the OCRRA System
- Community - Importing waste, oversight of WTEF, flow control

We will explain and address each alternative, including each of the five (5) scenarios separately below. We will also analyze each scenario based on the evaluation criteria above, using 2012 financial data and rates. The ultimate decision on how to proceed and what alternative and scenario to pursue involves a balancing of the above criteria between competing goals and interests. OCRRA's management and Governing Board, with the County in a supporting role, are in the best position to balance the competing goals and interests to achieve what they believe is in the best interest of the community.

First, before evaluating the alternatives and five scenarios, in order to set an appropriate baseline we need to provide some 2012 waste tonnage statistics, tip fees, and financial information that will apply to the evaluation of all of the scenarios:

2012 Primary OCRRA Waste Statistics (Tons):

MSW delivered to the WTEF	232,761
MSW delivered to Ley Creek Transfer Station	31,196
MSW delivered to Rock Cut Road Transfer Station	3,315
Total MSW	267,272
C&D materials delivered to the Ley Creek Transfer Station	40,668
Roofing materials delivered to the Ley Creek Transfer Station	15,244
Total MSW, C&D, and Roofing	323,184
Total WTEF Permitted Capacity	361,350
Total MSW Processed at the Transfer Stations and Transported to WTEF	81,487
Total Bypass Waste (Taken Directly to Landfill)	14,049

2012 Selected Relevant OCRRA Tip Fees

Hauler MSW Tip Fees ($74/Ton less Prompt Payment Discount $4/Ton)	$70
Hauler C&D Tip Fee	$41
Roofing Material Tip Fee	$36

2012 Financial Information:
(See Appendix F for 2012 Operating Income, Expenses and Net Position by Program)

OPERATING INCOME	**OCRRA**	**WTEF (1)**
Tipping fees	$20,819,923	$16,136,100
Electric revenues	$6,140,939	$6,140,939
Recovery material revenues	$1,670,365	$1,086,890
Grant revenues	$338,541	
Compost revenue	$246,161	
Other	$455,945	$72,196
Total Operating Revenues	**$29,671,874**	**$23,436,125**
OPERATING EXPENSES		
Personal services	$5,540,759	$930,803
Landfill contracts	$1,601,628	$1,257,548
Other contractual services	$270,801	
Materials & supplies	$894,258	$441,232
Professional fees	$130,811	$28,220
Recycling & composting	$452,286	
Hazardous waste disposal	$135,320	
Repairs & maintenance	$193,776	$63,191
Utilities	$139,212	
Insurance	$237,224	$23,000
Operating leases	$130,003	
Depreciation & amortization	$1,286,312	$273,544
Taxes & other pmts to host com	$359,654	$292,158
Other	$687,419	$190,017
Waste-to-Energy operations cost	$13,459,805	$13,459,805
Debt Service (Series A WTEF)	$9,203,865	$9,203,865
Total Operating Expenses	**$34,723,133**	**$26,163,383**
Net Operating Loss	**-$5,051,259**	**-2,727,258**

(1) Estimated by OCRRA and unaudited

Alternative 1 - MRWDA Default Scenarios

This is the default (current contract) alternative. Under the facility lease and with proper notice, the Waste to Energy Facility (WTEF) Operator can purchase the WTEF for $1 and become responsible for all of the Series B bond debt (over $42M) on May 9, 2015. If they choose not to purchase the WTEF, the WTEF Operator is required to demolish the facility and return the use of the property back to OCRRA. If they purchase the facility, the WTEF Operator has the further option to purchase the site under the WTEF for fair market value (if OCRRA and the WTEF Operator can't agree on price, there is a process outlined in the site lease for determining the fair market value (FMV)) or lease it from OCRRA for $1 a year for 7 years (May 2022). If the WTEF Operator buys the site in 2015, they could require OCRRA to finance the purchase, as outlined in the site lease. The MRWDA ends in 2022. In 2022 OCRRA can require the WTEF Operator to buy the site at FMV. If the WTEF Operator continues to lease the site from OCRRA in 2022, there are further options for lease extensions up to 45 years from the initial agreement (2035) at FMV.

When the WTEF Operator purchases the plant unless otherwise negotiated, they will, pursuant to the Market Rate Waste Disposal Agreement (MRWDA):

- Assume all risks for the ownership and operation of the WTEF.
- Gain all income streams related to the WTEF (tip fees for MSW, electricity sales income, sale of scrap Ferris and non-Ferris recovered materials).
- Be responsible for all remaining debt (Series B), estimated to be over $42M at May 9, 2015.
- Be responsible for all remaining WTEF related expenses, including ash disposal, insurance, regulatory compliance, and applicable property taxes.
- After processing any OCRRA waste, may bring in solid waste from outside the county at whatever fee they can get up to the WTEF capacity.

Unless otherwise negotiated, OCRRA:

- Loses ownership of the WTEF capacity.
- Retains ownership of all other OCRRA property including the site under the WTEF (subject to purchase or lease as per above), the transfer stations, the compost sites, and the Site 31 permitted landfill.
- Retains the right to help manage waste streams other than MSW (primarily C & D, food, yard, recycling, household hazardous waste).

- Loses all risks with respect to the WTEF (regulatory, tip fee fluctuations, tonnages, cost increases, etc.).

- Loses all income related to the WTEF, including MSW tip fees, electricity sales income, and sale of scrap Ferris and non-Ferris recovered materials from the WTEF.

- Loses all expenses related to the WTEF, leaving expenses related to the transfer stations, recycling, compost operations, user education, and administration.

- Loses County legal flow control to the WTEF but could try to retain contractual flow control if the local governments sign on to new municipal delivery contracts (MDCs) and commit to enforcing them.

- Remains involved in the initial discussions of tip fees with the haulers, as defined in the MRWDA, up to a certain point.

- Retains very limited oversight over the WTEF, consisting of the right to visit and observe the facility, receive copies of weigh slips for waste received pursuant to local waste agreements, and inform DEC if concerns are raised.

- Must, through all commercially available options, support all MSW in its service area going to the WTEF.

- Receives any tip fees generated on MSW delivered to the WTEF above the market tip fee established under the MRWDA from the WTEF Operator.

- Is entitled to receive actual and documented processing and transportation costs from the WTEF Operator for all MSW received at the OCRRA transfer stations, processed and transported to the WTEF.

- Retains income from tip fees on C&D, roofing, yard, and food waste; mulch and compost sales, and other minor miscellaneous sources but also is responsible for disposal costs for the waste streams, as necessary.

Obviously, OCRRA will face significant changes in 2015 with the expiration of the current service contract with the WTEF Operator. OCRRA's revenue stream will decrease significantly with the above changes, and eventually if other revenue sources are not found, expenses will have to follow. If OCRRA is unable to negotiate rates above the MRTF, they will not receive any of the MSW tip fee revenue. Although OCRRA will no longer own the WTEF capacity, they will still have an initial and limited role in negotiations with the haulers and delivery of the waste in their service area to the WTEF and some very limited oversight of the WTEF.

Scenarios 1 and 2 below are the examples of the MRWDA scenarios at both ends of the spectrum. The negotiations between OCRRA, the WTEF Operator, and the haulers would most likely produce an actual result that is somewhere in the middle of these scenarios.

MRWDA Default Scenario 1 - Local Haulers Contracted for WTEF
This scenario assumes that OCRRA will be able to reach agreement with the local haulers to provide the local MSW to the WTEF using the MRWDA process.

OCRRA could reduce expenses and raise revenues by increasing some revenue rates and exploring new sources of revenues. Some, but certainly not all, potential sources of decreased expenses or increased revenues include:

- Since OCRRA would not own the WTEF or be responsible for the operating costs or risks, OCRRA should be able to reduce its total net operating expenses even more. OCRRA has done analysis and estimates that it could reduce the costs of operations by at almost an additional $1M.

- In 2012 OCRRA accepted over 40,000 tons of C&D waste, with an estimated 29,000 tons of it going to the WTEF and the rest taken to landfills. In addition, OCRRA accepted over 15,000 tons of roofing materials waste, with virtually all of it going to the WTEF. We used an OCRRA estimated disposal rate for the processible portion of C&D and roofing. For every $1/ton plus or minus that OCRRA would actually have to pay for disposal, OCRRA's total costs would be increased or decreased respectively by approximately $44,000.

- OCRRA has committed to at least covering the expenses for its compost and mulch operations by increasing revenues and efficiencies of scale by 2016 or 2017. That would reduce OCRRA's estimated compost and mulch operating loss by more than $400,000. See **Section VII** of this report for more information.

- Ask the County for a share of the property taxes generated when the WTEF goes back on the tax rolls. OCRRA estimates that the county property tax on the WTEF could generate up to $500,000 per year.

- Ask the County to let OCRRA impose some type of a "green fee" to pay for the recycling and education programs within the OCRRA service area. How and when this would be done would be up to discussions between the County and OCRRA.

- Recycling tip fees. Currently there are no tip fees on curbside recycling dropped off at the MRFs or OCRRA's transfer stations. If a small tip fee were established, it could generate revenues for OCRRA. For every $5 in tip fee for recycling materials that are dropped off at the MRFs (38,227 tons in 2012), OCRRA could generate $191,135 in new revenue.

- Look into additional NYS grant funds for recycling and composting.

MRWDA Default Scenario 2 - Importing Waste to the WTEF
This scenario assumes OCRRA and/or the WTEF Operator will NOT be able to reach agreement with the local haulers to provide most or all of the local MSW to the WTEF using the MRWDA process. If that occurs, the capacity of the WTEF becomes available to the WTEF Operator and they could reach separate agreements with the local haulers or import waste to fill the capacity of the WTEF, depending on the market price. In that scenario, OCRRA could make arrangements to begin hauling waste to landfills. However, OCRRA would have to offer the waste they get from the haulers to the WTEF Operator at the tip fee that they charge.

Alternative 2 - Service Agreement Scenarios

Under this alternative, OCRRA would continue to own the WTEF. While all the details of what that means could change with negotiations, generally the underlying principles of the relationship would most likely remain the same as they are currently. Unless negotiated differently, under the Service Contract OCRRA could/would:

- Still control the waste in its service area through legal and contractual flow control.

- Be responsible for regulatory and other risks involving the WTEF.

- Pay the WTEF Operator an operation and maintenance fee, excess waste fee, and pass through cost charges.

- Retain all income streams related to the WTEF (tip fees for MSW, electricity sales income, sale of scrap Ferris and non-Ferris recovered materials). Currently, OCRRA shares electricity and sale of scrap with the WTEF Operator.

- Be responsible for all remaining debt (Series B), at May 9, 2015, which will be over $42M at 7% interest rate for 7 years. If not refinanced, the Series B debt service over the 7 years would be over $7.6M per year. However, this debt could be refinanced, most likely at a lower interest rate (3% to 4%) and for a longer period of time (15 to 20 years). If refinanced over 15 years at 3%, the annual debt service would be approximately 3.5M. At 4%, the annual debt service would be approximately $3.7M. The 2012 debt service was approximately $9.2M.

- Will be responsible for all WTEF related expenses, including ash disposal and insurance.
- Have comprehensive oversight over the WTEF based on the contract.

Unless negotiated otherwise, the WTEF Operator would:

- Have operational control over the WTEF.
- Be responsible for meeting all OCRRA contractual requirements, including environmental, operational, etc.
- Retain a steady stream of income from operation and maintenance fees.
- Retain a percentage of electricity sales and metal recycling income.
- Have a steady profit margin built into the contractual fee structure, currently estimated by a consultant hired by OCRRA to be approximately 37%.

Service Agreement Scenario 3 - Current WTEF Operator

OCRRA could control the waste in its service area through legal and contractual flow control. Therefore, OCRRA could pressure the tip fee to the point where it would at least break even overall, including paying for the WTEF and all the other programs

Service Agreement Scenario 4 - Eminent Domain, New RFP for Operations
Scenario 4 would be very similar to scenario 3. The key differences would be:

- OCRRA would ask the County or Industrial Development Agency (IDA) to acquire the WTEF through eminent domain.
- OCRRA would issue debt to cover the cost of acquiring the WTEF at fair market value. The appraised value of the facility in 2002 (the last time it was appraised) was just over $90M. OCRRA is currently in the process of having the WTEF appraised. This debt could be spread out over the remaining useful life of the WTEF, which could be up to 25 years, at rates most likely less than the current Series B bond rate, probably in the 3% to 4% range.
- The Service Contract process could be opened to some level of competition through the RFP process under General Municipal Law Section 120W. While there are a limited number of WTEF operators that could manage this facility, the

additional competition could keep the costs, and therefore the tip fees, at a lower rate than in Scenario 3.

Alternative 3 - MRWDA Buyout Scenario (Operator Owns the WTEF but OCRRA and the Operator are Independent)

Scenario 5 - MRWDA Buyout

This scenario assumes that OCRRA and/or the WTEF Operator will agree to or that OCRRA will use legal means (i.e., bankruptcy) to void the MRWDA and operate as if they had reached 2022 under current agreements. This means that the WTEF Operator would own the WTEF and that they and OCRRA would essentially operate independently. In this scenario, the Series B debt, approximately $42M, would have to be refinanced.

If this scenario occurs:

- The WTEF would be owned by the current Operator and all the income and the capacity would become available to them. They could, if the County does not flow control to the transfer stations, contract directly with local haulers for the WTEF or import waste.

- Series B debt (approximately $42M) would have to be refinanced and would be, unless negotiated otherwise, the responsibility of the WTEF Operator. The WTEF site, which is currently owned by OCRRA, could be part of the negotiations.

- The County could, but would not be required to legally flow control to the OCRRA transfer stations.

- If the County flow controls to the transfer stations and OCRRA continues its municipal delivery contracts (MDCs) and other flow control methods, OCRRA could contract to deliver the municipal solid waste (MSW), construction and demolition waste (C&D), and roofing waste to the WTEF Operator or could begin transporting and disposing of it at landfills.

- If OCRRA decides to transport and dispose of its waste to a landfill, they would most likely use the High Acres Landfill, since they already have a contract there through 2016.

OCRRA'S NEXT STEPS (RECOMMENDATIONS)

Recommendation 5 (Repeated from Section V): Negotiations with the County and Participating Local Governments (Repeat)

As noted in Section VI and this Section, the Solid Waste Management Program Contract (SWMPC) with Onondaga County expires in June of 2015. In addition, the Municipal Delivery Contracts (MDCs) with the 33 local governments that make up the OCRRA service area expire between November 2013 and February 2015. The SWMPC calls for the creation and maintenance of a solid waste system (the System) and delegates the development and maintenance of that System to OCRRA. That System was and is the basis for achieving the County solid waste management goals, as laid out in the County Solid Waste Management Plan.

During the course of our work we asked about the status of negotiations with the County on the SWMPC and the local governments on the MDCs. We were informed there have been informal meetings with various County and participating local government leaders. We are also aware there are Governing Board members appointed by the County Executive and Legislature, City of Syracuse, and the Towns of Onondaga and Van Buren. However, we were told negotiations had not begun with either the County on the SWMPC or the participating local governments on the MDCs.

The SWMPC with the County provides the framework for OCRRA's direction and operations (see **Section II** of this report for more detail information on the contract). There is no explicit requirement for updating/renegotiating the SWMPC. However, having updated, clear program information and direction from the OCRRA's sponsoring local government would likely be helpful and may even be critical to the OCRRA Governing Board and management as they progress through this critical time. In addition, the County must approve certain OCRRA actions and has set some of the legal framework in which OCRRA operates. Negotiations and an updated SWMPC contract would provide a clear framework for OCRRA going into the 2015 negotiations, as well as set a clear operating framework for OCRRA and the County relationship going forward.

The local government MDCs provide one of the key parts of the legal and contractual framework for holding the OCRRA System together. They contain the contractual requirement the 33 local governments provide their solid waste to the System. If the local governments are not part of the discussions through the MDC negotiation process, they may not support the negotiated outcome. If they do not support the negotiated outcome for 2015 and beyond, or for any other reason will not sign onto MDCs, OCRRA will have a more difficult time enforcing the multiple level flow control that creates and supports the System.

The early negotiation and completion of an SWMPC and the MDCs could be helpful in establishing a proper framework for OCRRA, the County, and the participating local governments to set high level direction and further interaction. Having the County and participating local governments engaged early in the process also promotes, in a direct way, their participation in and support for the key community decisions that have to be made. The result would hopefully be support for OCRRA through successful negotiations and in maintaining the System.

Recommendation 6: Negotiating Process with Haulers

The OCRRA contracts with the haulers that do the collection and delivery of solid waste into the OCRRA transfer and disposal operations expire in December 2014. These contracts again provide a key link in the legal and contractual basis for the OCRRA System. As noted in **Section V** the contracts require all waste collected within the OCRRA service area be delivered to OCRRA facilities for disposal and set the tip fees for the delivery to the system. They also provide the requirements for enforcing the source separation, flow control, ban on the importation of waste into the system, and other legal and OCRRA requirements and set the penalties for violating the requirements.

The MRWDA provides a process for setting a market tip fee (MTF) and negotiating with the haulers. It also provides the process for what happens when OCRRA or the WTEF Operator cannot reach agreement with the haulers. One of the requirements in the MRWDA is that OCRRA and the WTEF Operator develop information on and negotiate a MTF before negotiations begin with the haulers on a new contract that would go beyond May 9, 2015. In the MRWDA the negotiations on a contract that would extend past May 9, 2015, can't start with the haulers until after May 9, 2013 and OCRRA and the WTEF Operator have reached agreement on the MTF. While discussions of and consideration for OCRRA to proceed with a study that would support the OCCRA side of the MTF negotiations with the WTEF Operator occurred in previous years, OCRRA is just now (September 2013) engaging a firm to conduct the study. OCRRA and the WTEF Operator have not engaged in negotiations on the MTF. In addition, while OCRRA can engage in negotiations with the haulers any time it wants to, if a contract that comes out of those discussions goes past May 9, 2015, the WTEF Operator must be a part of the negotiations.

Under Alternative 1, the MRWDA default agreement, OCRRA is required to give its best efforts to deliver all MSW to the WTEF after May 9, 2015. That would seem to, and does under the MRWDA, require negotiations with the haulers. In addition, under Alternative 2, the Service Contract, OCRRA has traditionally negotiated a contract with the haulers that establishes the tip fees and other contractual obligations for the haulers. Therefore, contracts with the haulers would seem to be a key requirement under either of the alternatives.

We understand the timing for beginning negotiations with the haulers has to be carefully selected. If negotiations start too early, it could jeopardize other negotiations. **But if the negotiations start too late, it could hurt OCRRA's up front opportunity for locking in the WTEF capacity for the OCRRA waste under the MRWDA.** Based on the needs for negotiations with the haulers under all alternatives, we recommend OCRRA expeditiously develop the information necessary to negotiate the MTF with the WTEF Operator. This will allow the negotiations to begin with the haulers at the right time. Early negotiations with the haulers will allow OCRRA to focus on the most advantageous alternative and scenario for the System. **Delaying negotiations too long with the haulers could have the effect of foreclosing critical OCRRA negotiating information and tools.**

Recommendation 7: Developing and Communicating Necessary Information and Engaging a Range of Alternatives

Up to August 2013, after developing the 2015 Committee report, OCRRA has focused primarily on gathering information and beginning negotiations with the WTEF Operator on an extended service contract (alternative 2, scenario 3 above). They had well developed models that could be used to analyze the impact of variable information on OCRRA and the WTEF Operator under the extended service contract (alternative 2, scenario 3 above). Little attention has been paid to fully analyzing and factoring in the Market Rate Waste Disposal Agreement (MRWDA) alternative and scenarios, including contracting for a market rate study and an appraisal on the WTEF. In addition, it didn't appear that the service contract alternative, scenario 4 or the MRWDA Buyout alternative were being pursued. Lastly, current program income and expense information had not been fully developed.

When we started to ask for information related to the MRWDA and program revenues and expenses, OCRRA management and staff reacted quickly and produced what we asked for. They then started to focus more on the MRWDA default alternative, with related scenarios. In addition, management asked for and the Governing Board authorized a contract for performing the market rate study and appraisal of the WTEF. By the time we produced our draft report and discussed it with them, OCRRA management was well on the way to developing information and alternatives for the MRWDA scenarios and program revenue and expense information.

We recommend OCRRA management continue to fully develop all MRWDA information and scenarios, as well as the service contract alternative, scenario 4 and the MRWDA Buyout alternative, including the impact on both OCRRA and the WTEF Operator. This additional information should be fully discussed and evaluate with the negotiating team and Governing Board. In addition, OCRRA should consider integrating multiple scenarios into the negotiations with the WTEF Operator in order to convey the alternatives that OCRRA has available to it for 2015.

Only with a full understanding, evaluation, and discussion can the negotiating team and the Governing Board make informed decisions on where to go with the negotiations. Ultimately, the best negotiations and decisions for OCRRA and the community will be produced by complete and thorough evaluation and a full understanding and integration of multiple alternatives and scenarios.

Recommendation 8: Preparation for 2022 and Beyond

If the MRWDA default (scenarios 1 and 2) is the result after OCRRA completes negotiations and the 2015 issues are settled, OCRRA should immediately begin addressing the range of options for May 2022. If negotiations produce a new or extended service contract (scenarios 3 or 4), OCRRA should start planning for the end of that service contract as soon as possible. Starting as soon as possible will help ensure there is sufficient time to fully evaluate the options and do what will be necessary to achieve the option most advantageous for OCRRA and the community in 2022 or the end of the service contract date.

SECTION VII
COSTS AND FEES FOR COMPOST OPERATIONS

OVERALL OBJECTIVE

Our objective was to report on whether OCRRA was raising sufficient income to cover the cost of its mulch and compost operations and if related fees were competitive with the private sector.

OVERALL OBSERVATIONS AND CONCLUSIONS

NYS Department of Environmental Conservation places a high priority on organics recycling, as expressed in its December 2010 report *Beyond Waste: A Sustainable Materials Management Strategy for New York State.* OCRRA has chosen to meet the challenge of this report and indicates they are ahead of the curve in implementing it by using food waste in its composting process. The Compost Operations Manager indicated OCRRA operates the only organics management facility in the area, generating a compost product that has earned the U.S. Composting Council's Seal of Testing Assurance (STA certified). In addition, the OCRRA composting operations have received numerous awards and recognition over the last few years. OCRRA is currently in the process of investing to significantly expand the compost facility in Amboy and is actively recruiting large food operations to engage them to supply their food waste to the Amboy facility.

However, according to OCRRA's 2012 Annual Compost Report, for at least the last five years OCRRA has subsidized its mulch and compost operations. While fee revenues have risen from approximately $99,000 in 2009 to $246,000 in 2012, OCRRA's direct expenses related to the mulch and compost operations exceed the revenue generated by over $400,000 in 2012. OCRRA also subsidizes other programs. For a breakdown on OCRRA's income and expenses by program, please see **Appendix F**. The mulch and compost sales and fee structure appear to be below retail in the area and region.

We asked the OCRRA management to explain the compost and mulch program subsidies and fee comparisons. They indicated they were aware of the subsidies and the fee structure was a contributing factor but they are trying to "seed" and/or "kick start" the compost program. They have been gradually increasing the fees from very low amounts and they must compete with some local governments in the area. In addition, they also stated that currently their sales are more wholesale than retail. However, they also indicated that OCRRA management has completed a business analysis and marketing plan and have agreed, using these plans, to bring compost and mulch program costs and income into alignment by 2016 or 2017.

METHOD

In order to complete this objective we:

- Toured the Amboy mulch and compost facility to observe the operations and expansion.
- Identified and analyzed the costs associated with OCRRA's compost sales, including certain costs associated with the administration and employee expenses for the compost and mulch program.
- Asked for and received the marketing information, including comparable pricing, compiled by the Compost Operations Manager for the Governing Board prior to the last fee setting activity conducted by in September and October 2012 for the 2013 year.
- Interviewed the Compost Operations Manager extensively. We also interviewed the Recycling and Waste Reduction Director, Executive Director, Business Officer, a Governing Board member, and others involved with the mulch and compost operations.
- Conducted a limited search of Websites related to compost and mulch sales.

RESULTS

NYS Department of Environmental Conservation places a high priority on organics recycling, as expressed in its December 2010 report *Beyond Waste: A Sustainable Materials Management Strategy for New York State.* OCRRA has chosen to meet the challenge of this report and indicates they are ahead of the curve in implementing it by using food waste in its composting process. The Compost Operations Manager indicated OCRRA operates the only organics management facility in the area, generating a compost product that has earned the U.S. Composting Council's Seal of Testing Assurance (STA certified). In addition, the OCRRA composting operations have received numerous awards and recognition over the last few years. OCRRA is currently in the process of investing to significantly expand the compost facility in Amboy and is actively recruiting large food operations to engage them to supply their food waste to the Amboy facility.

However, according to OCRRA's 2012 Annual Compost Report, for at least the last five years OCRRA has subsidized its mulch and compost operations. OCRRA's direct expenses related to the mulch and compost operations exceed the revenue generated by over $400,000 in 2012 (see the full revenues and expenses below). OCRRA also subsidizes other programs. **For a breakdown on OCRRA's Operating Income, Expenses and Net Position by Program, please see Appendix F**

Direct fee revenues and expenses for the OCRRA compost and mulch program for the 2012 fiscal year were as follows:

Program Revenues	**2012**
Sales of Compost Stickers	$52,280
Compost Revenues - Deliveries	$57,748
Sales - Compost Regular	$52,689
Sales - Compost Mulch	$54,785
Food Waste Delivery	$28,659
Total Compost Revenues	**$246,161**
Program Expenses	
Payroll	$193,816
Fringe Benefits	$85,150
Materials and Supplies	$2,818
Composting	$125,045
Utilities	$3,177
Insurance	$16,982
Leases	$11,590
Depreciation	$172,522
Other	$55,030
Total Compost Expenses	**$666,130**
Net Compost Income (Loss)	**-$419,969**

There were identifiable composting capital costs that, according to OCRRA staff, will most likely be eligible for NY State grant reimbursement at a rate of 50%. Applying these grant reimbursements would reduce the depreciation cost. OCRRA staff estimate that if these grant reimbursements were recognized in the year they accrued (when the expense was incurred), they would total (unaudited):

Year	**Eligible Capital Expenditure**	**Grant Earned**
2011	$337,937	$168,964
2012	$1,026,564	$513,282
Total	$1,364,501	$682,246

The marketing materials that we received from the compost manager for the 2013 fee setting activity showed the following fee comparisons (unaudited):

Seller or Other Source	Mulch Price Per Yard	Compost Price Per Yard (1)
OCRRA	$12.50	$17.50
Local Vendor 1	$25.00	Bagged
Local Vendor 2	$28.00	$20.00
Local Vendor 3	$22.95	$22.95
Local Vendor 4	$21.00	$22.00
Local Vendor 5	$26.99	Bagged
Local Vendor 6	$22.00	$28.00-$32.00
Local Vendor 7	$23.00	$30.00
Local Vendor 8	$25.00	$20.00
Average Local Vendors	$24.24	$24.99
Composting News Feb. 2013 Retail Northeastern US Average	$25.13	$40.65
Composting News Feb. 2013 Wholesale Northeastern US Average	$19.00	$24.63

(1) Of the local vendors, OCRRA is the only one that produces certified compost

OCRRA also sells household site memberships. These memberships may be purchased for $15 per year and multiple memberships may be purchases. A membership allows unlimited drop off of yard waste at the compost site and pick up of up to 6 cubic yards of either compost or mulch at no additional fee.

OCRRA management indicates the above fee comparisons do not take into consideration the differences in product. For example, colored mulch can demand a higher fee than the uncolored product that OCRRA produces. Based on the information above, it appears the mulch and compost sales and fee structure were below retail in the area and well below OCRRA's per yard expenses to produce them.

We asked the OCRRA management to explain the compost and mulch program subsidies and fee comparisons. They indicated they were aware of the subsidies and the fee structure was a contributing factor. However, they also indicated they have been increasing the fees over the years from very low amounts. Fee revenues have risen from approximately $99,000 in 2009 to $246,000 in 2012. In addition to the fee structure, they indicated the following also contributed to the subsidies for the program. They:

- Are trying to "seed" and/or "kick start" the compost program in the County to get it going. The program is a big contributor to the OCRRA efforts to recycle food and yard waste. They feel once they get it going, it will grow naturally.

- Currently consider themselves more of a wholesaler than a retailer of mulch and compost products, explaining some of the fee structure comparison differences. However, the Governing Board has approved the purchase of a bagging machine for the mulch and compost operations. Once the bagging machine is in operation, OCRRA will be competing in the retail sales markets and will be charging increased prices.

- Must also consider that some local governments in the area are still giving their mulch away to residents.

- OCRRA management has completed a business analysis and marketing plan and have agreed, using these plans, to bring compost and mulch program the costs and income into alignment by 2016 or 2017. In order to end the subsidies to the mulch and compost operations by 2016 or 2017, OCRRA managers plan to increase fees and sales and, with the expansion of the compost operation at the Amboy facility, improve the economies of scale.

See related Recommendation 4 entitled Budgeting and Reporting Process in the Financial Condition Section IV.

SECTION VIII
APPENDICIES

Appendix Index

Appendix A
Abbreviations and Acronyms

City - City of Syracuse

County - Onondaga County

C&D - Construction and Demolition waste

DEC - New York State Department of Environmental Conservation

DOH - NYS Department of Health

FLOW CONTROL – For Onondaga County residents (except Skaneateles), the legal requirements that all waste generated flow to the OCRRA system

LCTS - Ley Creek Transfer Station

FMV - Fair Market Value

IDA - Onondaga County Industrial Development Agency

MDAs - Municipal Delivery Agreements

MRWDA - Market Rate Waste Disposal Agreement

MSW - Municipal Solid Waste - This includes regular household and commercial waste, and regular recyclable waste.

MTF - Market Tip Fee

OCRRA - Onondaga County Resource Recovery Agency

WTEF - Waste to Energy Facility

RCRTS - Rock Cut Road Transfer Station

Recyclables - All waste generated that meets the definitions outlined in the County source separation law are required to be recycled at curbside pickup and/or by direct drop off at either of two designated MRFs or at either of OCRRA's two transfer stations.

SWDA - Onondaga County Solid Waste Disposal Authority

SWMPC - Solid Waste Management Program Contract with Onondaga County

T&D Costs - Transportation and disposal costs

Tip Fee – A fee charged to the hauler to dispose of waste at a landfill or other disposal facility

Appendix B
OCRRA's Background

HISTORY OF OCRRA

Pre-OCRRA

Pre 1980’s solid waste was being collected by both private and municipal haulers and disposed of in a number of small, unlined landfills both within and outside the County. In the 1960’s the Onondaga County Solid Waste Disposal Authority (SWDA) was created by the State legislature as a Public Benefit Corporation to receive, transport, process and dispose of solid waste materials and manage landfills in Onondaga County. SWDA started disposing of solid waste in the County, shredding some of it, and transporting it to landfills both inside and outside the County. In 1976 Congress passed the Resource Conservation Recovery Act (RCRA). As a result New York State Department of Environmental Conservation (DEC), which was charged with implementing the new law, began the process of requiring the closure of old municipal and private landfills. The 1980’s became a period of transition for solid waste management in Onondaga County (County).

The Creation of OCRRA

In 1981, in anticipation of the need to create and fund a more modern waste management system, the political entities in Onondaga County asked for and the New York State Legislature created the Onondaga County Resource Recovery Agency (OCRRA) (Article 8, Title 13B of the Public Authorities Law) as a public benefit corporation. OCRRA’s charge was broader than SWDA. It was to manage the solid waste produced in 33 member communities located in Onondaga County (the Town and Village of Skaneateles opted out). This authority included recycling, composting, waste to energy, and construction and demolition waste processing, in addition to the traditional solid waste collection, transport and landfill disposal.

After a series of disputes, including a court challenge to the dissolution of SWDA, in September of 1988 the Onondaga County Executive and Mayor of the City of Syracuse (City) signed a Memorandum of Understanding which resolved outstanding issues between the County and the City and allowed the Onondaga County solid waste management program to proceed. OCRRA’s enabling legislation was amended in 1989 and 1990 to incorporate the terms of the 1988 Memorandum of Understanding.

Flow Control, Source Separation, and Prohibiting Imported of Waste

Between 1988 and 1990 before the OCRRA governing body was appointed, all of the 33 towns, villages and City of Syracuse signed delivery agreements with the County. These delivery agreements required all of the solid waste generated in the municipality to be delivered to the OCRRA System and imposed fines on any hauler operating in their municipality that did not deliver their solid waste to OCRRA. This arrangement was needed to sell the OCRRA bonds that would fund the waste to energy facility (WTEF). In 1989 the County adopted two Local Laws that would affect OCRRA. Local Law Number 10 (updated by Local Law Number 9 of 1992) prohibiting the importation of waste into the County and Number 12 (updated by Local Laws Number 14 of 1991 and Number 2 of 2012) requiring homeowners and businesses to source separate recyclable materials. In 2003 the County enacted Local Law Number 5, which provided legal flow control to OCRRA facilities.

OCRRA Gets Up and Running

In 1990 the OCRRA governing body was appointed and, in June 1990 approved and signed a Solid Waste Management Program Contract (SWMPC) with the County. This contract committed OCRRA to a specified program of solid waste management, including recycling and waste to energy. It also required, among other things, OCRRA to enforce the Local Laws and contractual provisions related to source separation, flow control, and prohibitions against importing waste into the County. The contract required the County to transfer existing permit applications, delivery agreements and contracts to OCRRA and do everything within its power to make the OCRRA System work. We incorporated the responsibilities and authorities from the contract into an expectations document and compared it to current results (the results of this comparison are included in **Section II**). OCRRA also signed an agreement in 1990 with SWDA under which OCRRA would take over SWDA responsibilities, liquidate the assets, and pay the debts, and then close SWDA. While OCRRA did purchase some SWDA assets, it did not purchase all of them. In 1990 OCRRA also signed an agreement with Ogden Martin (later renamed Covanta) and filed a permit application with DEC to construct and operate a WTEF on Rock Cut Road.

Construction of the Waste to Energy Facility (WTEF)

In the 1980s the County decided that the primary approach to solid waste disposal would be a waste to energy facility. The purpose of the WTEF, in addition to solid waste disposal, would be to convert non-recyclable waste from the County into energy (electricity) and generate revenue. The County then conducted the SEQRA reviews for a proposed waste to energy facility (WTEF) on Rock Cut Road in the Town of Onondaga. In May, 1991 OCRRA entered into a Host Community agreement with the Town of Onondaga where the proposed waste to energy facility was to be located covering a number of site issues. In 1993 Onondaga County transferred the site that would later be used to build the WTEF to OCRRA. In December 1992 OCRRA sold $184M in revenue bonds to build the WTEF on Rock Cut Road and pay for previously incurred costs. From

1993 to 1995 construction proceeded at the Rock Cut Road site and in February 1995 OCRRA officially accepted the WTEF on Rock Cut Road. Solid waste that had previously flowed to two transfer stations and was then transported to Pennsylvania was now handled by the WTEF. After an RFP process, OCRRA then awarded its ash, by-pass waste (solid waste that couldn't be processed at the WTEF), and construction and demolition waste disposal contract to an out of county landfill. The long-term contract was at favorable rates and was later extended, as a result of an RFP process, to mid-2011. The WTEF current DEC air and general facility permits are good until August 7, 2016 and August 7, 2021, respectively. The facility officially opened for business and began processing waste in 1995. The accepted waste is burned to generate steam, which powers turbines to create electricity. The electricity is then sold to National Grid.

Other OCRRA Real Property Acquisitions

In 1993 OCRRA purchased the Ley Creek transfer site from Onondaga County and the Rock Cut Road transfer station from the City of Syracuse. During the early 1990s OCRRA acquired numerous parcels of land in the Town of Van Buren, totaling almost 500 acres, for use as a landfill (Site 31) In December, 1995 the DEC Commissioner issued a landfill permit for Site 31 to OCRRA to use for ash fill. The 10 year permit for Site 31 was renewed in 2005. In 2007 OCRRA executed long-term leases with Onondaga County to use sites located in Jamesville and Amboy for compost facilities. In 1998 OCRRA entered into a Host Community Agreement with the Town of Van Buren related to Site 31. OCRRA also entered into an Interim Property Stabilization Program that provided limited compensation to property owners who's property was immediately adjacent to the landfill site. There have been no recent payments under the program. In 2004 OCRRA renewed its DEC transfer station permits through 2014. For more information on contracts and leases, see **Section V** of this report.

Solid Waste Management Changes In the 1990's and early 2000's

During this period there were significant changes to solid waste management in New York State and country. The initial shortage of landfill space created by closing small, private and municipal landfills created a large increase in tipping fees (the fees charged to haulers when solid waste is delivered to a landfill or processing facility.). However, that was followed by a period of consolidation and vertical integration of smaller waste disposal companies into larger companies, which lead to larger landfills and a rapid reduction in tip fees.

During this period there was a law suit that challenged OCRRAs flow control arrangements and the County flow control law. OCRRA and the participating communities took a number of actions to both insure the flow control from the participating communities and reduce their tip fees to be competitive with nearby landfills and facilities. Finally, after a number of lower court decisions, in 2007 the Supreme Court ruled that flow control that directed waste to public facilities did not violate the U.S. Constitution's Commerce Clause. During the period of challenges to flow control OCRRA and the 33 participating Onondaga County municipalities put into place a number of legal approaches that, according to the OCRRA legal counsel, would likely be sustained in any court challenge (municipal collection, municipally contracted collection, solid waste districts, waste site designation ordinances, intrastate ordinances, hauler contracts, etc.).

Financing OCRRA Operations

Generally, OCRRA finances its operations primarily through tip fees on MSW at the WTEF and transfer stations. However, it does also sell the energy produced at the WTEF to National Grid and it imposes other fees and charges. In the late 1990s OCRRA attempted to implement a County-wide "Green fee" that would have been collected based on waste generation rates from all non-exempt property owners in the County. The "Green fee" was challenged in NYS Supreme Court by the County and later ruled invalid. From 1999 into the early 2000s OCRRA incurred regular and growing annual deficits and was forced to increasingly rely on reserves to finance current operations.

Recycling

OCRRA has since its inception, has maintained a strong and growing recycling program, as required. OCRRA has relied on private material recovery facilities (MRFs) to process and market recyclables for both curbside (residential) and commercial recycling programs. OCRRA's contracts with the several MRF's from the beginning to the present provided a $0 tip fee to haulers to deliver residential recycling pick ups to the designated MRFs. In exchange OCRRA agreed to subsidize the MRFs under certain circumstances and to varying degrees to guarantee the free residential recycling program. For more information on contracts and leases, see **Section V** of this report.

2003 Debt Restructuring

In 2003 conditions required a look at the original 1992 WTEF financing and for OCRRA to restructure the remaining senior debt of $134M down to $82M. In addition, the interest rate on the senior debt was reduced from 7% to 5% annually. Subordinate debt of $30,000,000 in the form of Capital Appreciation Bonds was also issued in concert with the senior debt. Payments on this debt are only required prior to May 2015 to the extent funds are available after senior debt and operating expenses are met. Any unpaid subordinate debt after May 2015 becomes the sole responsibility of the WTEF owner/operator. In addition to the restructuring of the 1992 debt, OCRRA was able to negotiate adjustments to the WTEF Service Agreement for the annual operation and maintenance fee by approximately $1.4M per year through May 2015.

GOVERNING AND ADMINISTRATIVE STRUCTURE

OCRRA currently has a fifteen-member governing body appointed by: the Onondaga County Executive (4) and Chairman of the Legislature (3), the City of Syracuse Mayor (6), the Town of Onondaga (1) (the host community for the waste-to-energy facility) and Town of Van Buren (1) (the host community for the landfill site). Within certain limitations, the governing body appoints officers of the body and an executive director; authorizes by-laws, policies, programs, contracts, acquisition of real property, and the issuance of debt; and oversees the management of solid waste in its service area and the administration of the Agency. The governing body is also responsible for adopting an annual budget that ensures there will be sufficient revenues to cover expenditures and does not rely on county taxes. It does not have condemnation authority (eminent domain) and must get approval from the Onondaga County Legislature for certain other actions.

OCRRA PROGRAMS/SERVICES

- **Waste-to-Energy Facility -** The WTEF currently accepts municipal solid waste (MSW) from permitted haulers and some construction and demolition waste and processed MSW from the Ley Creek transfer station. There is a tip fee for all MSW delivered to the WTEF.

- **Transfer Stations -** The OCRRA Ley Creek transfer station currently accepts construction and demolition waste; MSW from individuals, mixed loads, and non-permitted small volume haulers; and various scrap and recycling materials. The Rock Cut Road transfer station currently accepts MSW and recycling materials from individuals.

- **Reuse, Recycling and Reduction Program -** Household recycled materials are delivered to the municipal recycling facilities (MRFs) by the haulers and individuals, as required by the Onondaga County Source Separation Law. There is no tip fee for delivering recycled materials to the MRFs. It addition OCRRA has several other recycling programs. They include:

    - Yard waste and commercial food waste are accepted at the Amboy and Jamesville compost facilities at reduced tipping fees. The materials are then processed and sold as mulch and compost for various levels of fees.

    - Hazardous wastes, including paint, fluorescent lamps, electronics, cell phones, batteries, etc., are currently collected at designated locations in Onondaga County.

    - The WTEF has a Ferrous and non-Ferrous metal recovery system for materials that are recoverable from the MSW and other deliveries received at that location. All Ferrous and non-Ferrous materials recovered at the WTEF are sold to a contractor by weight and OCRRA and WTEF operator split the income from the sales.

- Paper shredding is conducted at Shred-o-rama events and the remains are recycled.

- Large metal items (refrigerators, washing machines, etc.) are collected at the Ley Creek Transfer Station and recycled.

- A significant component to the all the OCRRA reuse, recycling and reduction programs is a public education program. OCRRA has an extensive education program that includes visits to schools, businesses, and apartment complexes, as well as media campaigns, regular newsletters, and an extensive Web site.

- **Landfill** - The OCRRA landfill (Site 31) is currently permitted but has not been prepared and does not accept waste or ash from any source. OCRRA disposes of the ash generated at the WTEF, overflow and non-burnable waste generated at the WTEF and transfer stations by transporting it to the High Acres landfill located in Fairport, NY (Monroe County). The High Acres landfill is approximately 81 miles from the WTEF and 75 miles from the Ley Creek Transfer Station. OCRRA has a long term contract with High Acres for solid waste disposal. OCRRA currently has a contract for disposal of tires at the Seneca Meadows landfill in Waterloo, NY. For more information on the High Acres landfill contract see **Section V** of this report.

WASTE STREAMS OCRRA MANAGES

- **Municipal Solid Waste (MSW)** - This includes regular household and commercial waste, and regular recyclable waste. MSW is delivered to OCRRA at three locations: the WTEF on Rock Cut Road, the Ley Creek Transfer Station (LCTS), and the Rock Cut Road Transfer Station (RCRTS). This is waste that is required to be delivered to OCRRA by the hauler agreements, intermunicipal agreements, and the County flow control law.

- **Regular Recyclables -** All waste generated that meets the definitions outlined in the County source separation law are required to be recycled at curbside pickup and/or by direct drop off at either of two designated MRFs or at either of OCRRA's two transfer stations.

- **Construction and Demolition Waste (C & D)** - This waste is not required to be, but may be delivered to OCRRA at the Ley Creek Transfer Station. OCRRA has the option of delivering a portion of this waste to the WTEF or otherwise disposing of it (e.g., the OCRRA compost facility, landfill, etc.). Generally, OCRRA disposes of processed C & D waste at the WTEF.

- **Yard waste** - This waste is not required to be, but may be delivered to OCRRA at either the Amboy or Jamesville compost facilities at reduced tipping fees to be used in developing mulch and compost products for sale.

- **Food Processing Waste** - This waste is not required to be, but may be delivered to OCRRA at the Amboy Compost Facility at reduced tipping fees to be used in developing compost products for sale. If it is not delivered to the Amboy Compost Facility, it must be delivered to the WTEF or one of the two OCRRA transfer stations.

- **Household Hazardous Waste** - This waste generally includes paint, batteries, florescent light bulbs, etc. Household hazardous waste is not required to be delivered to OCRRA. However, OCRRA has a number of hazardous waste programs to collect and properly dispose of this waste.

WASTE STREAMS OCRRA DOES NOT MANAGE

- **Sludge (bio solids)** - Managed by the Onondaga County Department of Water and Environment Protection.

- **Regulated Medical Waste** - Managed by the private sector with regulatory oversight by DEC and NYS Department of Health (DOH).

- **Industrial Waste** - Managed by the private sector with regulatory oversight by DEC except for cafeteria type wastes.

- **Agricultural Waste** - Generally managed on-sight and not subject to regulation.

Appendix C
Annual Financial Reports 2007 to 2012
from CPA Reports

Account Name	2012	% Change	2011	% Change	2010	% Change	2009	% Change	2008	% Change	2007
ASSETS											
Current Assets											
Cash & cash equivalents	$14,285,071	**-25.6%**	$19,191,528	**-4.4%**	$20,073,060	**-13.9%**	$23,304,067	**-6.9%**	$25,038,332	**-0.5%**	$25,157,607
Assets limited to use											
Accounts receivable	$1,784,621	**-14.9%**	$2,098,127	**-12.3%**	$2,392,886	**43.2%**	$1,670,752	**-1.8%**	$1,701,041	**-12.0%**	$1,933,321
Electric revenue receivable	$515,801	**-2.4%**	$528,393	**-24.4%**	$699,256	**0.2%**	$697,877	**-10.1%**	$776,571	**-43.9%**	$1,384,297
Grant receivables	$263,541			**-100.0%**	$43,570	**-33.8%**	$65,789	**-12.3%**	$75,000	**-27.9%**	$104,000
Other receivables	$128,471	**125.6%**	$56,952			**-100.0%**	$187,852	**2219.7%**	$8,098	**252.1%**	$2,300
Accrued interest receivable								**-100.0%**	$336,223	**-20.9%**	$425,099
Prepaid expenses	$600,609	**36.1%**	$441,373	**-40.8%**	$745,722	**-25.3%**	$998,387	**53.3%**	$651,091	**7.6%**	$604,872
Facility lease, current portion	$8,505,000	**5.1%**	$8,090,000	**5.0%**	$7,705,000	**5.1%**	$7,330,000	**-18.5%**	$8,992,112	**3.6%**	$8,676,844
Total Current Assets	**$26,083,114**	**-14.2%**	**$30,406,373**	**-4.0%**	**$31,659,494**	**-7.6%**	**$34,254,724**	**-8.8%**	**$37,578,468**	**-1.9%**	**$38,288,340**
Non-Current Assets											
Assets Limited: Held by Trustee	$2,418,785	**3.9%**	$2,328,074	**-6.7%**	$2,494,426	**4.6%**	$2,385,328	**-75.1%**	$9,590,170	**18.9%**	$8,067,519
Property, plant & equipment	$9,227,660	**1.1%**	$9,123,098	**13.6%**	$8,029,421	**-9.5%**	$8,876,993	**14.5%**	$7,752,936	**-1.1%**	$7,841,287
Bond issuance costs, net	$292,372	**-30.0%**	$417,700	**-23.1%**	$543,028	**-18.8%**	$668,356	**-15.8%**	$793,684	**-13.6%**	$919,012
Facility lease, net of current	$48,428,632	**-11.2%**	$54,535,756	**-9.7%**	$60,387,219	**-8.5%**	$66,002,013	**-4.8%**	$69,358,701	**-9.2%**	$76,368,250
Total Non-Current Assets	**$60,367,449**	**-9.1%**	**$66,404,628**	**-7.1%**	**$71,454,094**	**-8.3%**	**$77,932,690**	**-10.9%**	**$87,495,491**	**-6.1%**	**$93,196,068**
TOTAL ASSETS	**$86,450,563**	**-10.7%**	**$96,811,001**	**-6.1%**	**$103,113,588**	**-8.1%**	**$112,187,414**	**-10.3%**	**$125,073,959**	**-4.9%**	**$131,484,408**
LIABILITIES & NET POSITION											
Current Liabilities											
Bonds payable Series A current	$8,505,000	**5.1%**	$8,090,000	**5.0%**	$7,705,000	**5.1%**	$7,330,000	**5.0%**	$6,980,000	**5.0%**	$6,645,000
Bonds payable Series B current								**-100.0%**	$2,012,112	**-1.0%**	$2,031,844

Deferred revenue, current	$1,164,612	0.0%	$1,164,612	0.0%	$1,164,612	0.0%	$1,164,612	0.0%	$1,164,612	0.0%	$1,164,612
Accounts payable	$3,120,852	2.5%	$3,045,512	6.1%	$2,870,966	-13.5%	$3,319,511	-7.8%	$3,598,521	-1.9%	$3,666,985
Accrued interest	$183,958	-26.8%	$251,376	-20.3%	$315,584	-16.2%	$376,666	-13.4%	$434,834	-11.3%	$490,208
Accrued expenses & other liabilities	$381,077	-11.2%	$429,054	24.1%	$345,712	5.1%	$328,945	11.5%	$294,915	-10.4%	$329,299
Total Current Liabilities	**$13,355,499**	2.9%	**$12,980,554**	4.7%	**$12,401,874**	-0.9%	**$12,519,734**	-13.6%	**$14,484,994**	1.1%	**$14,327,948**
Non-Current Liabilities											
Bonds payable - Series A	$13,570,000	-38.5%	$22,075,000	-26.8%	$30,165,000	-20.3%	$37,870,000	-16.2%	$45,200,000	-13.4%	$52,180,000
Bonds payable - Series B	$36,065,446	7.1%	$33,667,566	7.1%	$31,429,030	7.1%	$29,338,828	7.4%	$27,320,106	0.0%	$27,314,013
Other post employment benefits	$341,572	6.7%	$320,258	11.8%	$286,543	35.2%	$211,974	56.7%	$135,271	100.4%	$67,503
Deferred revenue - non-current	$1,552,818	-42.9%	$2,717,430	-30.0%	$3,882,042	-23.1%	$5,046,654	-18.7%	$6,211,266	-15.8%	$7,375,878
Total Non-Current Liabilities	**$51,529,836**	-12.3%	**$58,780,254**	-10.6%	**$65,762,615**	-9.3%	**$72,467,456**	-8.1%	**$78,866,643**	-9.3%	**$86,937,394**
TOTAL LIABILITIES	**$64,885,335**	-9.6%	**$71,760,808**	-8.2%	**$78,164,489**	-8.0%	**$84,987,190**	-9.0%	**$93,351,637**	-7.8%	**$101,265,342**
Net Position											
Net investment in capital assets	$9,227,660	1.1%	$9,123,098	13.6%	$8,029,421	-9.5%	$8,876,993	14.5%	$7,752,936	-1.1%	$7,841,287
Restricted	$2,418,785	3.9%	$2,328,074	-6.7%	$2,494,426	4.6%	$2,385,328	-83.4%	$14,379,216	0.5%	$14,310,260
Unrestricted	$9,918,783	-27.1%	$13,599,021	-5.7%	$14,425,252	-9.5%	$15,937,903	66.2%	$9,590,170	18.9%	$8,067,519
Total Net Position	**$21,565,228**	-13.9%	**$25,050,193**	0.4%	**$24,949,099**	-8.3%	**$27,200,224**	-14.3%	**$31,722,322**	5.0%	**$30,219,066**
TOTAL LIABILITIES & NET POSITION	**$86,450,563**	-10.7%	**$96,811,001**	-6.1%	**$103,113,588**	-8.1%	**$112,187,414**	-10.3%	**$125,073,959**	-4.9%	**$131,484,408**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

OPERATING REVENUES											
Tipping fees	$20,819,923	-4.2%	$21,734,548	9.4%	$19,860,552	1.5%	$19,572,968	-2.1%	$19,996,019	-1.4%	$20,280,730
Electric revenues	$6,140,939	-16.8%	$7,383,120	-5.7%	$7,832,026	18.4%	$6,614,551	-51.0%	$13,505,510	7.7%	$12,535,016
Recovery material revenues	$1,670,365	-9.7%	$1,850,761	12.5%	$1,644,853	70.3%	$965,781	-57.1%	$2,248,870	47.2%	$1,527,803
Grant revenues	$338,541	-76.8%	$1,460,437	1954.2%	$71,095	-80.9%	$372,003	16.3%	$319,915	-11.2%	$360,268
Compost revenue	$246,161	34.9%	$182,530	23.7%	$147,535	47.9%	$99,738				
Other	$455,945	-0.6%	$458,621	16.4%	$394,052	9.9%	$358,546	-19.9%	$447,666	27.0%	$352,465
Total Operating Revenues	**$29,671,874**	-10.3%	**$33,070,017**	10.4%	**$29,950,113**	7.0%	**$27,983,587**	-23.4%	**$36,517,980**	4.2%	**$35,056,282**

OPERATING EXPENSES											
Personal services	$5,540,759	**5.5%**	$5,253,049	**7.3%**	$4,894,482	**-0.1%**	$4,897,824	**3.2%**	$4,745,472	**3.0%**	$4,608,232
Landfill contracts	$1,601,628	**-22.2%**	$2,059,126	**-28.2%**	$2,866,319	**-1.8%**	$2,917,656	**-7.4%**	$3,149,132	**0.9%**	$3,119,736
Other contractual services	$270,801	**20.0%**	$225,696	**16.3%**	$194,020	**-22.7%**	$251,135	**-33.0%**	$374,557	**23.3%**	$303,755
Materials & supplies	$894,258	**6.8%**	$837,657	**57.9%**	$530,479	**-1.3%**	$537,630	**-42.6%**	$936,520	**39.2%**	$672,743
Professional fees	$130,811	**36.1%**	$96,100	**-3.3%**	$99,380	**-25.3%**	$133,054	**19.9%**	$110,941	**-28.6%**	$155,308
Recycling & composting	$452,286	**29.4%**	$349,418	**7.4%**	$325,431	**-37.6%**	$521,503	**6.7%**	$488,530	**41.4%**	$345,583
Hazardous waste disposal	$135,320	**-12.3%**	$154,217	**11.1%**	$138,800	**-25.3%**	$185,786	**12.9%**	$164,601	**-20.8%**	$207,875
Repairs & maintenance	$193,776	**-11.7%**	$219,336	**36.3%**	$160,916	**25.9%**	$127,772	**-33.1%**	$191,057	**34.9%**	$141,633
Utilities	$139,212	**-9.6%**	$153,996	**3.1%**	$149,334	**-4.6%**	$156,598	**-0.4%**	$157,178	**3.8%**	$151,357
Insurance	$237,224	**8.2%**	$219,171	**5.0%**	$208,696	**10.1%**	$189,622	**-1.2%**	$191,886	**-24.9%**	$255,567
Operating leases	$130,003	**17.5%**	$110,626	**-21.6%**	$141,191	**-20.0%**	$176,442	**-2.1%**	$180,151	**45.1%**	$124,127
Depreciation & amortization	$1,286,312	**38.0%**	$932,367	**-11.9%**	$1,058,312	**-12.3%**	$1,207,056	**15.9%**	$1,041,409	**7.5%**	$969,178
Taxes & other pmts to host com	$359,654	**6.0%**	$339,221	**1.0%**	$335,765	**1.0%**	$332,379	**0.0%**	$332,393	**2.1%**	$325,555
Other	$687,419	**47.3%**	$466,613	**39.0%**	$335,739	**-47.2%**	$636,160	**-14.1%**	$740,319	**4.5%**	$708,763
Waste-to-Energy operations cost	$22,663,670	**-0.5%**	$22,784,711	**3.2%**	$22,070,051	**0.8%**	$21,891,507	**-10.7%**	$24,500,967	**3.3%**	$23,718,654
Total Operating Expenses	**$34,723,133**	1.5%	**$34,201,304**	2.1%	**$33,508,915**	-1.9%	**$34,162,124**	-8.4%	**$37,305,113**	4.2%	**$35,808,066**
Operating Gain or Loss	**-$5,051,259**	346.5%	**-$1,131,287**	-68.2%	**-$3,558,802**	-42.4%	**-$6,178,537**	684.9%	**-$787,133**	4.7%	**-$751,784**
OTHER REVENUE (EXPENSE)											
Interest income - cash & repos	$2,323	**-51.1%**	$4,751	**-26.4%**	$6,453	**-73.8%**	$24,588	**-85.5%**	$170,054	**-56.2%**	$388,646
Interest income - non-system	$23,858	**-62.1%**	$63,018	**-46.1%**	$116,929	**-69.0%**	$377,755	**-55.1%**	$841,533	**-31.8%**	$1,234,782
Interest income - lease receivable	$1,113,861	**-26.7%**	$1,518,952	**-23.7%**	$1,990,217	**-19.3%**	$2,464,707	**-12.1%**	$2,803,878	**-10.3%**	$3,126,667
Interest expense	-$1,113,861	**-26.7%**	-$1,518,952	**-23.7%**	-$1,990,217	**-19.3%**	-$2,464,707	**-12.1%**	-$2,803,876	**-10.3%**	-$3,126,667
Gain on sale of machinery & equip	$375,501			**-100.0%**	$19,683	**-78.0%**	$89,484	**-21.6%**	$114,188	**242.9%**	$33,301
Gain on the sale of investment											
Gain on refund of long-term debt	$1,164,612	**0.0%**	$1,164,612	**0.0%**	$1,164,612	**0.0%**	$1,164,612	**0.0%**	$1,164,612	**0.0%**	$1,164,612
Other Revenue - Net	**$1,566,294**	27.1%	**$1,232,381**	-5.8%	**$1,307,677**	-21.1%	**$1,656,439**	-27.7%	**$2,290,389**	-18.8%	**$2,821,341**

INCREASE (DEC) IN NET POSITION	**-$3,484,965**	**-3547.3%**	**$101,094**	**-104.5%**	**-$2,251,125**	**-50.2%**	**-$4,522,098**	**-400.8%**	**$1,503,256**	**-27.4%**	**$2,069,557**
NET POSITION - BEGINNING	**$25,050,193**	**0.4%**	**$24,949,099**	**-8.3%**	**$27,200,224**	**-14.3%**	**$31,722,322**	**5.0%**	**$30,219,066**	**7.4%**	**$28,149,509**
NET POSITION - END	**$21,565,228**	**-13.9%**	**$25,050,193**	**0.4%**	**$24,949,099**	**-8.3%**	**$27,200,224**	**-14.3%**	**$31,722,322**	**5.0%**	**$30,219,066**

Appendix D

OCRRA Budget Comparison (Unaudited)

2007 to 2012

	Actual (1)	Budget	Difference	Percentage
2012 Revenues	$30,073,556	$33,619,000	-$3,545,444	-10.55%
2012 Expenditures	$33,436,821	$33,619,000	-$182,179	-0.54%
Increase/(Decrease)	-$3,363,265	$0	-$3,363,265	

	Actual	Budget	Difference	Percentage
2011 Revenues	$33,137,786	$33,447,500	-$309,714	-0.93%
2011 Expenditures	$33,268,937	$33,447,500	-$178,563	-0.53%
Increase/(Decrease)	-$131,151	$0	-$131,151	

	Actual	Budget	Difference	Percentage
2010 Revenues	$30,093,178	$28,696,000	$1,397,178	4.87%
2010 Expenditures	$32,450,603	$33,193,000	-$742,397	-2.24%
Increase/(Decrease) (2)	-$2,357,425	-$4,497,000	$2,139,575	-47.58%

	Actual	Budget	Difference	Percentage
2009 Revenues	$28,475,414	$39,178,000	-$10,702,586	-27.32%
2009 Expenditures	$32,955,068	$35,166,000	-$2,210,932	-6.29%
Increase/(Decrease) (3)	-$4,479,654	$4,012,000	-$8,491,654	-211.66%

	Actual	Budget	Difference	Percentage
2008 Revenues	$37,643,757	$35,830,000	$1,813,757	5.06%
2008 Expenditures	$36,263,704	$33,893,000	$2,370,704	6.99%
Increase/(Decrease)(3)	$1,380,053	$1,937,000	-$556,947	-28.75%

	Actual	Budget	Difference	Percentage
2007 Revenues	$36,713,011	$35,614,000	$1,099,011	3.09%
2007 Expenditures	$34,838,888	$33,442,000	$1,396,888	4.18%
Increase/(Decrease)	$1,874,123	$2,172,000	-$297,877	-13.71%

(1) From the CPA Reports: Expenditures is less Depreciation and Amortization
Revenues is less Gain on Refunding of LT Debt

(2) Planned use of Agency reserves

(3) Planned for use in Contingent Debt & Net Asset Replacement

Appendix E
Expiration Dates for Municipal Delivery Agreements

Participating Municipality	Execution Date	Agreement Expires
City of Syracuse	11/02/88	11/02/13
Village of Baldwinsville	11/21/88	11/21/13
Village of Marcellus	11/21/88	11/21/13
Town of Tully	11/22/88	11/22/13
Town of Manlius	11/23/88	11/23/13
Village of Minoa	11/29/88	11/29/13
Town of Cicero	11/30/88	11/30/13
Town of Van Buren	11/30/88	11/30/13
Village of Manlius	11/30/88	11/30/13
Town of Fabius	12/01/88	12/01/13
Town of Lysander	12/01/88	12/01/13
Village of Fabius	12/01/88	12/01/13
Village of Liverpool	12/01/88	12/01/13
Town of Pompey	12/05/88	12/05/13
Town of Lafayette	12/12/88	12/12/13
Town of Marcellus	12/12/88	12/12/13
Village of East Syracuse	12/22/88	12/22/13
Village of Jordan	02/02/89	02/02/14
Village of Tully	02/07/89	02/07/14
Town of Onondaga	02/09/89	02/09/14
Town of Otisco	02/13/89	02/13/14
Village of Elbridge	02/20/89	02/20/14
Town of Elbridge	03/01/89	03/01/14
Town of Salina	03/01/89	03/01/14
Town of Spafford	03/01/89	03/01/14
Village of Camillus	03/01/89	03/01/14
Village of Fayetteville	03/01/89	03/01/14
Village of Solvay	03/01/89	03/01/14
Village of North Syracuse	03/16/89	03/16/14
Town of Geddes	04/18/89	04/18/14
Town of Camillus	05/09/89	05/09/14
Town of Clay	05/11/89	05/11/14
Town of Dewitt	02/27/90	02/27/15

Appendix F
Operating Revenues, Expenses and Changes in Net Position By Program

Compiled by OCRRA personnel and unaudited

Account Name	2012 CPA Report	WTEF	Ley Creek	Rock Cut	Recycling	Compost Operations	General Admin
OPERATING REVENUES							
Tipping fees	$20,819,923	$16,136,100	$4,468,689	$215,134			
Electric revenues	$6,140,939	$6,140,939					
Recovery material revenues	$1,670,365	$1,086,890	$583,475				
Grant revenues	$338,541		$7,250		$331,291		
Compost revenue	$246,161					$246,161	
Other	$455,945	$72,196	$128,059	$138,610	$22,954		$94,126
Total Operating Revenues	**$29,671,874**	**$23,436,125**	**$5,187,473**	**$353,744**	**$354,245**	**$246,161**	**$94,126**
OPERATING EXPENSES							
Payroll	$3,656,900	$584,738	$1,130,348	$280,850	$251,960	$193,816	$1,215,188
Fringes	$1,883,859	$346,065	$642,584	$156,360	$121,886	$85,150	$531,814
Contractual services:							
Landfill contracts	$1,601,628	$1,257,548	$330,233		$13,847		
Other contractual services	$270,801		$145,539	$49,565			$75,697
Materials & supplies	$894,258	$441,232	$395,382	$41,345		$2,818	$13,481
Professional fees	$130,811	$28,220					$102,591
Recycling & composting	$452,286				$327,241	$125,045	
Hazardous waste disposal	$135,320				$135,320		
Repairs & maintenance	$193,776	$63,191	$124,560	$6,025			
Utilities	$139,212		$34,008	$61,033	$4,712	$3,177	$36,282
Insurance	$237,224	$23,000	$81,026	$38,634		$16,982	$77,582
Operating leases	$130,003		$2,080	$20,364		$11,590	$95,969
Depreciation & amortization	$1,286,312	$273,544	$641,155	$53,728		$172,522	$145,363
Taxes & other pmts to host com	$359,654	$292,158	$3,421				$64,075
Other	$687,419	$190,017	$15,574	$5,666	$365,691	$55,030	$55,441
Waste-to-Energy operations cost	$22,663,670	$22,663,670					
Total Operating Expenses	**$34,723,133**	**$26,163,383**	**$3,545,910**	**$713,570**	**$1,220,657**	**$666,130**	**$2,413,483**
Operating Gain or Loss	**-$5,051,259**	**-$2,727,258**	**$1,641,563**	**-$359,826**	**-$866,412**	**-$419,969**	**-$2,319,357**

Appendix G

Comparisons of Key Provisions Between the 1992 and 2003 WTEF Operator Contracts

Key Provisions	1992 Contracts after May 9, 2015	2003 MRWDA After May 9, 2015 to 2022	Other Information
Ownership of the WTEF	• Covanta can purchase WTEF for $1 on May 9, 2015 • OCRRA has the option to purchase at FMV in 2015	• Covanta can purchase WTEF for $1 on May 9, 2015 • OCRRA does not have the right to purchase in 2015	No practical difference, the County or IDA could use eminent domain to acquire WTEF at FMV in 2015
Ownership of the WTEF Site	• OCRRA owns WTEF Site in 2015 • No agreement to require the WTEF Operator or for the option for WTEF Operator to purchase the WTEF site • Covanta can continue to lease WTEF Site at FMV for 5 yr periods up to 45 yrs from original lease	• OCRRA owns WTEF Site in 2015 • Covanta can purchase WTEF Site at FMV in 2015 or continue to lease for $1/yr to 2022 • OCRRA can require Covanta to purchase WTEF Site in 2022 • Covanta can continue to lease WTEF Site at FMV for 5 yr periods up to 45 yrs from original lease	Other than the right to purchase or right to require the purchase the WTEF, no significant difference
Flow Control	• If Covanta owns the WTEF, it fully controls the capacity on May 9, 2015, no flow control to WTEF • OCRRA and the WTEF operate independently & County can flow control to the transfer stations	• MRWDA goes into effect in May of 2015 • OCRRA must support waste flow to the WTEF & the County cannot flow control away from the WTEF between May 2015 and 2022 • In 2022, OCRRA & the WTEF operate independently & County can flow control to the transfer stations	Key difference - the County cannot flow control away from the WTEF between May 2015 and 2022 under the MRWDA
Waste Importation	• If Covanta owns the WTEF, based on court cases, neither the County or OCRRA can prevent the importation of MSW into the WTEF	• MRWDA goes into effect in 2015, • OCRRA can try to fill the capacity of the WTEF with local waste using the MRWDA tip fee process • Covanta can import waste up to capacity of the WTEF	2003 MRWDA provides for more restrictions on importation of waste than the 1992 contracts
Oversight of the WTEF	• If Covanta owns the WTEF, there is no OCRRA oversight	• OCRRA retains very limited oversight over the WTEF, consisting of the right to visit & observe, receive copies of weigh slips, and inform DEC if concerns are raised.	2003 MRWDA allows more oversight of the WTEF than 1992 contracts

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Management Response to County Comptroller's Audit Division Report

"Onondaga County Resource Recovery Agency Past, Present and Future"

The OCRRA Management is appreciative of the professional and informative report prepared by the Audit Division under the direction of the County Comptroller, Robert E. Antonacci, CPA. There few things as illuminating as an unbiased and external review of operations and OCRRA's Management intend to make the most of the opportunity. Our response to the individual recommendations is as follows:

Recommendation 1: Formalize and Document the Enforcement Process

Management agrees with this recommendation and the process is underway and expected to be presented to the Operations Committee in mid 2014.

Recommendation 2: Explore the Costs, Risks, and Benefits of Landfill Development

It is management's opinion that this recommendation should be addressed subsequent to the various negotiations that are currently in progress. OCRRA needs to have a good grasp on its long-term needs and costs before committing to explore such an endeavor. In-house staff will continue to work on this option for presentation to the Board at a later date.

Recommendation 3: Develop and Use Strategic Performance Measures

Management is in agreement with this recommendation and will explore this option as part of the upcoming 2015 Budget process.

Recommendation 4: Budgeting and Reporting Process

The budget and reporting recommendations are sound and will be incorporated into the budget and reporting process for 2015. As the budget will be prepared, and possibly adopted before all contractual matters are resolved they may be of limited immediate usefulness along with multi-year projections for the 2015 Budget that may also limited by the status of multiple contracts being negotiated through the end of 2014 and early 2015.

As the audit noted, program accounting is under way and will be completed and available in 2015. The Board does receive a full budget annually, not just a summary.

Recommendation 5: Negotiations with the County and Participating Local Governments

It is management's position that negotiating with the Participating Local Governments would be premature prior to finalizing negotiations with Covanta. The Agency has been actively meeting with the Participating Local Governments to present information, options, and to garner feedback. Once there has been a reasonable path ascertained though continuing negotiations with Covanta, the Agency will fully involve our municipal partners and provide them with realistic options for the future of the system.

Recommendation 6: Negotiation Process with the Haulers

The Agency's position on this matter is similar to our response to Recommendation # 5, inasmuch as it would be premature to engage the Haulers in negotiations without a firm sense of the end results of negotiations with Covanta. The Market Rate scenario outlines the steps necessary to reach agreement with the Haulers that include Covanta as part of the negotiations, while a continuation of a similar arrangement to the current agreement would not. It would not be efficacious to begin these negotiations before the involved parties are determined.

Recommendation 7: Developing and Communicating Necessary Information and Engaging a Range of Alternatives

Management is fully in agreement with this recommendation and will continue to work diligently in recognizing and developing multiple alternatives and scenarios. As management continues to keep the Board fully apprised of negotiations we are open to strategic guidance provided in response to our reports. We are also engaged with several Attorneys and specialists who advise us of alternatives and strategies that may yield the most beneficial result for Onondaga County. OCRRA is utilizing all resources available and will continue to explore new options.

Recommendation 8: Preparation for 2022 and Beyond

Once again, Management is in full agreement with this recommendation and will continue to posit various scenarios and plan for their long-term impact on the Agency.

The Agency considers this audit to be a very positive process and wishes to convey its appreciation to the County Comptroller and his staff. This report sets a new standard in the benefits of inter-governmental cooperation.