



**ONONDAGA COUNTY WATER AUTHORITY**

**ANNUAL REPORT**

**YEAR ENDED DECEMBER 31, 2009**

**OPERATIONS & ACCOMPLISHMENTS**

Year Ended December 31, 2009

**Introduction**

Onondaga County Water Authority's (OCWA) Operations & Accomplishments Report for the fiscal year ended December 31, 2009, provides an introduction to the major activities that had an effect on the operations of the Authority and it also addresses the financial performance and status of OCWA.

**Operational Highlights**

**Service Area:** The Water System supplies water for domestic, commercial and industrial uses and for fire protection in part or all of thirty-one towns and fifteen villages in Onondaga County (outside the City of Syracuse), and in parts of the Counties of Oswego, Madison and Oneida.

The area served in Onondaga County includes the major portion of the Towns of Camillus, Cicero, Geddes and Salina, as well as parts of the Towns of Clay, DeWitt, Elbridge, Lysander, Manlius, Marcellus, Onondaga, Lafayette, Pompey, Skaneateles, Tully, Van Buren, Otisco and Spafford. Additionally OCWA serves the Villages of Camillus, Fayetteville, Liverpool, Manlius, Minoa, North Syracuse, Baldwinsville, East Syracuse, Marcellus, and Solvay. In Oswego County the Authority serves the Village of Central Square and the Towns of Hasting, West Monroe, Granby, Minetto, Oswego, Volney and Schroepel. OCWA also has provides intermittent service to the City of Fulton, the Town of Scriba and the Village of Phoenix. In Madison County OCWA serves the Villages of Canastota and Chittenango and parts of the Towns of Lenox, Lincoln and Sullivan. In Oneida County the Authority serves the Village of Sylvan Beach and parts of the Towns of Vienna, Verona and Annsville.

As of December 31, 2009 the Authority provided water services directly to 85,202 residential, 4,968 commercial accounts, 47 industrial accounts, and 39 wholesale accounts. OCWA also has 1,287 accounts related to fire services and fire hydrants. The estimated population of the residential units served was 340,000 persons as of such date. There has been substantial residential growth within the service area over the last few years, however projected growth for new homes in 2010 has dropped correspondingly with the national economic woes. Projected growth is expected limited to providing service existing residents served by a small water system or served by private wells. Current potential of this nature is estimated to be 1,800 new accounts over the next two years.

The ten largest industrial customers within these areas, served directly by the Water System in order of usage, are:

Anheuser-Busch, Inc.  
Solvay Paperboard  
Crucible Steel  
Trigen-Syracuse (Cogenerator)  
Bristol Meyers Squibb  
Clinton Ditch

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Queensboro Farms  
Frazer & Jones Co  
Community General Hospital  
Covanta Onondaga LP

**Source of Supply:** For 2009 43.4% of the water supply of the Water System is drawn from Otisco Lake. The remainder is purchased primarily from the Metropolitan Water Board's filtered Lake Ontario supply (53.2%). A small portion of the water is purchased from the City of Syracuse's unfiltered Skaneateles Lake supply (3.3%). The Metropolitan Water Board was created by the Onondaga County Legislature and it operates the Onondaga County Water District, which is a wholesale supplier of water to the Authority.

The following tabulation shows, for recent years, the average daily quantity of water from the various sources of supply.

**WATER OBTAINED FROM SOURCES OF SUPPLY**  
(Average Gallons Per Day)

<u>YEAR</u>	<u>OTISCO LAKE</u>	<u>LAKE ONTARIO VIA METRO WATER BOARD</u>	<u>CITY OF SYRACUSE SOURCES</u>	<u>TOTAL</u>
1999	16,239,000	27,276,000	676,000	44,191,000
2000	17,759,000	25,832,000	378,000	43,969,000
2001	17,030,783	25,807,835	385,463	43,233,394
2002	17,104,885	25,768,219	435,485	43,315,128
2003	16,953,989	24,320,961	499,005	41,780,348
2004	17,187,000	22,605,806	482,016	40,341,743
2005	17,632,897	26,381,390	529,506	44,550,662
2006	16,772,679	21,263,156	482,810	38,524,849
2007	16,671,945	23,305,208	562,342	40,599,057
2008	16,516,595	21,568,024	453,729	38,545,505
2009	15,993,580	19,595,384	1,226,424	36,821,595

**Condition of Properties:** Inspections of the visible physical plant of the Water System show it generally to be in good operating condition and well maintained. All structures are of substantial construction. The chemical properties of Otisco Lake Reservoir water are such that corrosion and tuberculation of underground piping is practically non-existent, and pipes in the ground for over 75 years have almost the same carrying capacities today as when new. Water System water losses are low, indicating a tight system with proper maintenance and control of leakage.

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**Adequacy of System:** Since the acquisition of the Water System by the Authority in December 1955, improvements have been made to keep pace with demands. The Water System has adequate capacity to meet the peak demands of the Water System. The Authority's Capital Reinvestment Program is designed to address problem areas in a prioritized manner as identified on an ongoing basis.

Water demand is illustrated by a comparison of water sales, revenues and physical plant of the Water System in 1985, 1995 and 2008 as shown in the following table:

ITEM	1985	1995	% INC. (DEC.)	2009	% INC. (DEC.)
Average Metered Water Sales	41.76 MGD	39.13 MGD	(6.2%)	31.37 MGD	(19.8%)
Operating Revenue	\$13,648,129	\$17,546,000	28.5%	\$31,259,223	78.2%
Miles of Mains Owned/Leased	875.50	1,332.72	52.2%	1,844.06	38.4%
Active Accounts	44,603	69,445	55.7%	91,544	31.8%
Fire Hydrants	4,563	7,765	70.1%	11,315	45.7%

Average daily quantity of water sales and yearly totals of metered water sales by the Water System during the twelve months ended December 31, 2009 were as follows:

	AVG. DAILY SALES (1000 gallons)	YEARLY TOTALS (1000 gallons)
Residential & Commercial	16,963	6,191,546
Industrial	7,222	2,635,890
Wholesale	7,188	2,623,788
Total	31,373	11,451,224

**WATER METERED & BILLED**  
(in Million Gallons)

	2004	2005	2006	2007	2008	2009
Residential & Commercial	6,515	6,786	6,198	6,621	6,338	6,192
Industrials	3,752	3,750	3,463	3,421	3,199	2,636
Wholesale	2,696	2,880	2,681	2,738	2,685	2,624
Total	12,963	13,416	12,342	12,780	12,222	11,452

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**Financial Highlights**

OCWA's 2009 total revenues increased by \$1,988,492 (6.8%) compared to the total for 2008, with rate increases for all customer classes representing the main source of increased revenues for 2009. The OCWA Board took steps to increase the Authority's rates with two things in mind. First and foremost was the anticipation of the issuance of bonds, to be issued in 2009, in conjunction with the construction of the covered tanks being built by OCWA to replace MWB's open reservoirs. Second was the recognition of the poor economy and the impending loss of large industrial customers. Overall, water sales (consumption) for 2009 declined as compared to 2008, in spite of an increase in total residential and commercial accounts. Average quarterly sales for 2009 remained well below the averages experienced through the 1990's and it expected that the current averages will remain the norm for the foreseeable future with further declines in average use expected as fixtures and appliances become more efficient. Again for 2009, cool, wet weather was prevalent throughout the summer and as a result there was no discernable difference between winter and summer quarter use for residential and commercial customers. Fiscal year 2009 rates for residential, commercial and wholesale customers were increased 15%. Rates for industrial customers were increased by 9.9% and public and private fire protection rates were increased 3.25%. Water Revenues for 2009 increased by \$2,249,873 (8.1%) over 2008 revenues, however total water sold declined 2.02 (6%) million gallons per day compared to 2008. Overall, residential water use dropped 2.24%, commercial use was down 2.68%, wholesale purchases were off 2.27% and industrial sales fell 17.59% for the year. Continued efficiency and water conservation efforts by OCWA's largest customer, Anheuser Busch, single handedly accounted for 42% of the decreased industrial use. Adding to the decline for the year was the bankruptcy of the Northeast Biofuels plant in Volney (32.5 MG in lost sales), the closure of Syracuse China Plant (50.4 MG) and the bankruptcy of Crucible Steel (63.97 MG). Decreased demand from the Tri-Gen Syracuse facility accounted for another 141.08 MG in lost sales. In total these five industrial accounts represent 92.8% of the total decrease in overall industrial sales.

While it would be easy to continue to blame the weather for the year-to-year fluctuations in revenues, it is not the only source of declining demand. In recent years average consumption for the Authority's 85,175 residential service connections continues to remain well below the average for the 1990's, but consistent with the new averages for the first decade of the 21<sup>st</sup> century. The growing use of water saving fixtures and water efficient appliances in new and remodeled homes, coupled with the replacement of older appliances and fixtures play a major role in declining demand. Declining household size also factors into the equation. While the Authority continues to see an increase in the number of residential accounts, local population totals continue to remain relatively flat, keeping with the trend over the past decade. The region continues to see more one and two person households, where the children have grown and moved on. In some instances these young adults are now establishing their own homes with one or two residents. Additionally, the impact of the recession continues to be felt throughout the region. The loss of major industry is not exclusive to the Central New York region and the Onondaga County Water Authority continues to closely monitor changes and potential losses.

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### OPERATIONS & ACCOMPLISHMENTS

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#### Financial Highlights – Continued

On the expense side of the operation, total expenses for 2009 increased by \$807,370 (2.73%) over 2008. Depreciation and amortization total increased by \$162,417 (6.5%). Labor and benefit costs were up \$392,888 over 2008, specifically related to contractual obligations with the Authority's CSEA and Teamsters Union personnel. It should be noted that OCWA implemented a hiring freeze in 2008 that has continued on into 2009 and currently the Authority has 7% fewer employees than what was originally budgeted for in fiscal year 2010. Chemical price increases added an additional expense of \$114,142 for the year, in part due to increased chemical prices and in part due to changes in the treatment process brought about by the improvement project underway at the Marcellus water treatment plant and the Otisco Lake intake. Outside contractor expenses increased by \$167,550 primarily attributed to paving restoration completed in conjunction with an increase in the number of main breaks during the winter months of 2008 and 2009. Purchased water, due to lower demand, resulted in decrease of \$79,482 compared to 2008. It should be noted that the dollar decrease in purchase water does not coincide with the actual drop in the total amount of water purchased for the year. This is due to changing the MWB Southern Branch system from an MWB / Syracuse Water Department lease to an MWB / OCWA lease. As a result of the change OCWA now buys its water off the Southern Branch directly from the City of Syracuse as opposed to through MWB. Consequently the wholesale cost of water off the Southern Branch is double the cost of water purchased from MWB. Offsetting the increased cost of water purchased off Southern Branch, is the negotiated decrease in the cost of water at all other Syracuse / OCWA connections. Prior to the change OCWA paid the outside the city rate for all connections, now the Authority pays the inside the city rate for all connections, including Southern Branch.

With respect to the Authority's indebtedness, OCWA made arrangements to fund the construction of the 20 MG Van Buren tank and the 30 MG Manlius tank with the New York State Environmental Facilities Corporation (EFC). The Authority was able to fund the total cost for the covered tanks with the issuance of the E.F.C Drinking Water Bonds, 2009 Series A in the maximum principal amount of \$33,000,000. For more details on the bonds see the section on Long-Term Debt Administration.

The covered tank projects were undertaken in June of 2008 when, through passage of a local law by the Onondaga County Legislature, the Authority assumed control of a County project that consists of constructing three covered storage tanks that the Metropolitan Water Board has been required to build to replace its open reservoirs located in Van Buren (20 MG Western Reservoir) and Manlius (30 MG Eastern Reservoir). By end of 2008 design was completed and bids were received for the first two tanks in December 2008 and January 2009. With bids in hand, the total project cost for the new tanks was established to be \$33 million. Funding for the new tanks was secured in early 2009 and construction began in the spring. The 20 MG Van Buren Tank is well underway and is projected to be on line by the middle of 2010, with full completion anticipated

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**Financial Highlights** – Continued

by the end of 2010. The 30 MG Manlius tank is also under construction, and is slated to be on line by the end of 2010, with full completion not expected until the middle of 2011.

In addition to the aforementioned projects the Authority, through acquisition, added 363,041 feet of main. Additions include the Town of Granby water system (130,967 feet), the Southern Onondaga water system serving parts of the Towns of Marcellus, Spafford and Otisco (67,708 feet), the Village of Marcellus system (44,535 feet), the Limeledge system in the Towns of Marcellus and Skaneateles (64,006 feet), the Lewis Point water district in the Town of Lenox (23,060 feet) and the MWB Southern Branch water system in the City of Syracuse (30,450 feet). In addition to the 68.76 miles of additional main, 562 line valves and 618 additional hydrants were also added. As a result of the acquisitions, OCWA also now operates 6 more pump stations and 7 additional water storage tanks. The Authority's system betterment projects for the year dropped to 6 in 2009 with a total of 3,504 feet of main being added and or replaced.

With respect to overall growth of the system, OCWA's 2009 year end customer base totaled 91,544 billed accounts for an increase of 1,561 accounts over 2008 the year end total. Customers were added mainly due to the aforementioned acquisitions. Developer main extensions dropped to a total of 14 totaling 9,954 feet of new main for the year, down from 22 extensions in 2008 and 61 in 2007. The decline in developer extensions is attributed to the overall decline in the economy. For the year, OCWA increased total water main in service by 70.8 miles, bringing the total main in service up to 1,844.06 miles.

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Year Ended December 31, 2009

**Summary of Statements of Net Assets****TABLE 1**

	<b>2008</b>	<b>2009</b>
<b>ASSETS</b>		
Cash	\$ 84,069	\$ 98,481
Accounts Receivable	5,418,964	5,735,167
Materials, Supplies and Prepaid Expenses	1,614,863	2,230,583
Restricted Assets	18,986,890	13,486,407
Unamortized Bond Issuance Costs	501,708	723,879
Plant and Water Rights, Net	<u>166,664,418</u>	<u>189,987,093</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 193,270,912</b></u>	<u><b>\$ 212,261,610</b></u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 2,906,283	\$ 2,951,372
Liabilities Payable from Restricted Assets	1,182,830	4,394,480
Bonds Payable	33,159,872	45,522,196
OPEB Liability	1,515,567	3,142,428
Capital Lease Obligations	<u>800,250</u>	<u>656,875</u>
Total Liabilities	39,564,802	56,667,351
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	132,704,296	143,808,022
Restricted Net Assets	15,925,579	6,525,046
Unrestricted Net Assets	<u>5,076,235</u>	<u>5,261,191</u>
Total Net Assets	<u>153,706,110</u>	<u>155,594,259</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 193,270,912</b></u>	<u><b>\$ 212,261,610</b></u>

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**Summary of Statements of Net Assets – Continued**

Total assets increased approximately \$19 million in 2009 as a result of the following items:

- The increase in cash of \$14,412 is due to the lower balance in the Authority's operations and maintenance fund at year-end.
- Accounts receivable have increased by \$316,203 or 5.8%. There are two components that make up most of this increase. The first is accounts receivable for water that has been billed to customers. Accounts Receivable – Water increased by \$81,473 (2.6%). The other component is for estimated revenue that has been accrued on accounts that are billed on a quarterly or longer basis. Accrued Utility Revenue increased by \$248,400 or 10.3% over the year-end 2008 balance. A portion of the increase is related to the rate increases ranging from 3.25% for fire protection to 15% for residential, commercial and municipal customers.
- Materials, Supplies and Prepaid Expenses increased by \$615,720 (38.1%). Prepaid Expenses increased by \$401,494. \$389,459 of that increase is due to the installation of carbon filters at OCWA's Water Treatment Plant. The filters are part of new treatment processes at the plant and are expected to last five years before requiring replacement. Another factor is that OCWA's inventory increased by \$179,738 (11.0%) over 2008.
- Restricted assets decreased by \$5.5 million (29.0%) in 2009. This decrease is due to the net effect of several factors. One is the use of \$7.9 million in construction of OCWA's Water Treatment Plant improvements for which OCWA issued \$14.2 in bonds in 2008 and of that amount \$1.8 million remains at the end of 2009. Another factor is the establishment of a bond reserve fund related to the Authority's 2009 Bond Issue which increased restricted assets. The year-end balance in this new bond reserve fund is \$678,872.
- The increase in Unamortized Bond Issuance Costs is related to the 2009 EFC Bonds and the costs incurred in issuing those bonds.
- Plant and water rights increased due to additional capital projects either completed or in progress at the end of 2009. A detailed outline of the additions is located just after Table 4 "Capital Assets at Year End" later in this analysis.

**OPERATIONS & ACCOMPLISHMENTS**

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**Summary of Statements of Net Assets – Continued**

Total liabilities increased by approximately \$17.1 million in 2009 as a result of the following items:

- Liabilities Payable from Restricted Assets increased by \$3.2 million (271.5%) over 2008. This is because of amounts due to contractors for work performed in 2009, for which payment was not made until 2010. There were several large amounts payable to contractors working on OCWA's Water treatment Plant and the 20MG and 30MG covered storage tanks.
- The Bonds Payable balance increased owing to the addition of the 2009 EFC Bonds issued for construction of the 20MG and 30MG covered storage tanks. The increase related to this bond issue is \$13.7 million. Also contributing to the change in the Bonds Payable balance are the principal payments totaling \$1,285,000 that were made during 2009. Principal payments of \$780,000 and \$505,000 were made on the 2001 Revenue Bonds and 2005 Revenue Bonds respectively.
- GASB Statement No. 45 establishes guidance for the financial reporting of OPEB cost over a period that approximates employees' years of service. Under GASB Statement No. 45, based on an actuarial valuation, an annual required contribution ("ARC") is determined by the Authority. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. To the extent that the Authority contributes an amount less than the ARC, a net incremental OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB Statement No. 45 does not require that the unfunded liability actually be funded, only that the Authority account for unfunded accrued liability. The financial statements at December 31, 2009 include a liability in the amount of \$3.1 million that represents the Authority's unfunded liability.

- Capital lease obligations decreased by \$143,375 due to principal payments made on various leases.

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**OPERATIONS & ACCOMPLISHMENTS**

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**Review of Revenues**

**TABLE 2**

	<b>2008</b>	<b>2009</b>
Residential/Commercial Sales	\$ 18,986,236	\$ 21,299,194
Industrial Sales	4,078,266	3,719,060
Municipal (Water Utility) Sales	3,731,989	4,024,555
Fire Protection	1,081,080	1,084,635
Miscellaneous Revenue	1,158,288	1,131,777
Interest from Investments Held in Trust	171,177	9,094
Other Interest Income	0	0
Gain (Loss) on Disposal of Fixed Assets	<u>29,837</u>	<u>(42,950)</u>
<b>TOTAL REVENUES</b>	<u><u>\$ 29,236,873</u></u>	<u><u>\$ 31,225,365</u></u>

- OCWA implemented rate increases for all customer classes during 2009. Residential, commercial and municipal wholesale customer rates were raised 15%, Industrial customers 9.9% and Fire Protection 3.25%. The increases, which were determined in late 2008, were based on the projected requirements for 2009 and took into account changes that were expected to have an effect on 2009 operations.

Total water revenues for 2009 increased by \$2,249,873 (8.1%) from the previous year. 2009 revenue saw increases in residential and commercial sales \$2,312,958 (12.2%) and municipal sales \$292,566 (1.9%) as well as a decrease in industrial sales of \$359,206 (8.8%) and as compared to 2008 figures. The main reason that water revenues did not increase by the amount that would be expected from the rate increases noted above is that the number of gallons billed in each sales category decreased in 2009. The respective decreases were residential 2.2%, commercial 2.7%, municipal 2.3% and industrial 17.6%.

- Interest from investments held in trust and other interest income decreased by a total of \$162,083 (94.7%). This decrease reflects the fact that yields were extremely low in 2009.

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**OPERATIONS & ACCOMPLISHMENTS**

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**Review of Expenses**

**TABLE 3**

	<b>2008</b>	<b>2009</b>
Operations	\$ 7,789,615	\$ 8,185,254
Purchased Water	8,247,700	8,168,218
General and Administrative	3,880,835	4,133,581
Less: Burden Applied	(816,966)	(898,846)
Depreciation	3,794,598	3,957,015
Bond Amortization	4,135	16,991
Water District Lease Amortization	614,647	594,179
Maintenance	4,916,625	4,895,272
Other Expense	<u>1,152,606</u>	<u>1,339,501</u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 29,583,795</u></u>	<u><u>\$ 30,391,165</u></u>

Total expenses for 2009 were up by approximately \$800,000 (2.7%) compared to fiscal year 2008. Areas of expense that saw increases in 2009 are: labor, health insurance, chemicals and bond interest expense. Areas that experienced cost decreases are: electric/natural gas, pensions, fuel, and purchased water. These items, as well as others, are discussed below.

**Labor Changes Impacting Operations, Maintenance, and General and Administrative Expenses**

Labor expenses in operations, maintenance and general and administrative accounts increased by \$223,335 (3.4%) during 2009 as compared to 2008. Both the Teamsters and CSEA contracts included wage increases effective January 1, 2009. The rates for the CSEA employees increased by 3.5% and Teamsters rates increased by 3.25%. Wage increases for non-bargaining unit employees averaged 3.33%. It should be noted that the Authority did not refill the positions of certain employees who retired in 2008 and 2009. Also, the Authority added a Risk Manager position in April 2009.

**Notable Expense Changes (Other Than Labor)**

Group health insurance increased by \$258,654 (12.7%) as compared to 2008 for the Authority's employees and retirees. Insurance coverage is contractual and it should be noted that both employees and retirees contribute toward the cost of their coverage. Partially offsetting the increase to group health insurance was a slight decrease in commercial insurance costs by \$16,469 (2.6%) over 2008.

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#### Notable Expense Changes (Other Than Labor) – Continued

For pensions, OCWA's employees are covered under the New York State and Local Employees' Retirement System. OCWA's expense for contributions made to the system was \$540,216, a decrease of \$96,000 (15.1%) over the 2008 amount. This is the fourth consecutive year in which there has been a decrease in contributions.

Chemical costs increased by \$114,142 (33.5%) in 2009 over 2008 figures. The prices of chemicals that the Authority uses in water treatment increased causing costs to go up nearly \$4,000 per month from January – April. New treatment processes in addition to the chemical price increases caused costs to increase approximately \$15,000 per month from May – December.

Fuel costs decreased by \$164,835 (39.8%) in 2009 over the previous year. The decrease is due to the significantly lower fuel prices in 2009 as compared to 2008. OCWA also experienced a \$67,936 (7.7%) decrease to its electric and natural gas charges for 2009 over 2008 amounts

Contractor costs increased by \$167,550 (14.5%) in 2009 over 2008 amounts. Much of the increase is due to paving work done during 2009 related to main breaks which occurred during the winter months.

Purchased water cost was down by \$79,482 (1.0%) for 2009. The vast majority of the water that OCWA purchases is from the Metropolitan Water Board (MWB). A rate increase of 3.75% together with a 9.3% decrease in the quantity of water that the Authority purchased accounts for much of the cost decrease in 2009. Another factor is that OCWA purchased 281,580,000 more gallons from the City of Syracuse in 2009 as compared to 2008.

There was an increase of \$186,895 (16.2%) in Other Expense in 2009. Part of the increase is due to there being a full year of interest on the 2008 Bond Issue in 2009 as opposed to approximately one half of a year in 2008. This increased the interest expense on the 2008 Bonds by \$197,905. Another factor was that the issuing of bonds in 2009 added to the bond interest expense. The interest expense on the 2009 Bonds for the portion of the year they were in place is \$44,815.

#### Summary of Overall 2009 Operations

In 2009, OCWA experienced a net income before capital contributions of \$834,199, an increase of \$1,181,121 from the net loss of \$346,922 for the fiscal year ended December 31, 2008. This increase was caused by the net effect of several factors. Among them are: increased revenue (although not as high as projected due to lower consumption), increases in group health insurance, chemicals and bond interest expense and decreases in pension, fuel, gas/electric, commercial insurance and purchased water costs.

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**System Growth**

Areas of growth included the following:

- Installation of 14 developer or individual main extensions, totaling 9,954 feet of main.
- The Southern Onondaga main extension was fully completed early in 2009. The new system includes a new tank and pump station, 67,708 feet of water main, 91 line valves and 116 hydrants. With this new system being placed on line OCWA is serving its first ever customers in the Towns of Otisco and Spafford.
- The Village of Marcellus water system transitioned from its own water source to being a wholesale Authority customer late in 2009. By the close of 2009 the Village system was converted from wholesale to retail and subsequently adding 620 retail accounts served by a new pump station and a renovated ground storage tank providing water via 44,535 feet of main.
- The Limeledge water system in the Towns of Marcellus and Skaneateles was also completed late in 2009 adding 64,006 feet of main, one new pump station and a new elevated spheroid tank. Through this addition the Authority is serving the Town of Skaneateles for the first time.
- While the new Town of Granby system was completed late in 2008, OCWA did not assume operations until 2009. Through this acquisition, 438 retail customers were added. These new customers are being served via a new pump station and water storage tank being supplied through 130,967 feet of new water main. Granby is also a new Town being served by OCWA.
- The Lewis Point water district, in the Town of Lenox, added 23,060 feet of main, 34 line valves and 39 hydrants.

The lease of the Southern Branch system, from the Metropolitan Water Board, resulted in the addition of 30,450 feet of existing main, two older pump stations and three existing tanks within the City of Syracuse. As a result of the lease the Authority has been able to secure a more adequate and reliable supply of water for existing OCWA customers in the Town of Onondaga

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**Areas of growth, 2010 and beyond:**

- The Towns of West Monroe and Constantia have worked out an agreement for the extension of main and installation of a new storage tank to serve the north shore of Oneida Lake. It is anticipated that construction bids will be solicited early in 2010 with construction to begin later in 2010 and continuing on into 2011.
- The Town of Granby has begun engineering related to a northern water supply district.
- The Town of Hastings' engineer has begun work on the addition of another small water district.
- The local economy does not appear to be fueling the addition of any major new developments as such it is expected that developer growth throughout the system will remain flat.

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**OPERATIONS & ACCOMPLISHMENTS**

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**Capital Assets at Year End (Net of Depreciation)****TABLE 4**

	<b>Governmental Activities</b>		<b>Total Percent Change</b>
	<b>2008</b>	<b>2009</b>	<b>2008-2009</b>
Water Plant in Service	\$ 195,133,548	\$ 202,455,638	3.75%
Water Rights - Source	5,250,000	5,250,000	0.00%
Construction Work-in-Progress (I&E)	7,793,642	28,725,032	268.57%
Water District Lease	23,080,458	23,080,458	0.00%
Pre-Survey and Investigation	1,507,647	568,494	-62.29%
Jobbing in Progress	469,751	435,104	-7.38%
Allowance for Depreciation	(51,839,389)	(55,204,842)	6.49%
Accumulated Amortization/Water Districts	(9,453,857)	(10,048,037)	6.29%
Residual Amortization/Water Rights	(5,250,000)	(5,250,000)	0.00%
Deferred Charge - Capital Interest on FP	<u>(27,382)</u>	<u>(24,754)</u>	<u>-9.60%</u>
Total	<u>\$ 166,664,418</u>	<u>\$ 189,987,093</u>	13.99%

**Increase to Water Plant in Service Highlights**

The Authority continues to remain active with respect to capital projects and acquisitions. During the year, projects that were completed and placed into service included the following:

- Security improvements at various OCWA facilities.
- Improvements to both the Sylvan Beach and Abbey Road tanks.
- The acquisition of right-of-ways from Finger Lakes and CSX railroads.
- The purchase of water meters as part of OCWA's ongoing meter replacement project.
- The installation of 9,954 feet of developer water main (per 14 contracts) and the replacement of additional 3,504 feet of main as part of 6 system betterment projects.
- The installation of new & replacement hydrants and water services.
- The replacement of vehicles in its fleet as part of OCWA's asset management program.

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## ONONDAGA COUNTY WATER AUTHORITY

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### OPERATIONS & ACCOMPLISHMENTS

Year Ended December 31, 2009

#### Construction Work-In-Progress Highlights

The Authority has projects totaling \$28,725,032 in progress at the end of 2009. Of that amount, \$25,701,702 is related to the following three projects:

- Improvements to the Marcellus Water Treatment Plant and the Otisco Lake intake - \$11,367,710
- Western Reservoir (20MG) covered storage tank - \$8,519,557.
- Eastern Reservoir (30MG) covered storage tank - \$5,814,435

The Authority has other projects in progress in addition to those listed above including:

- Lafayette/Nedrow Water System Connection - a project to install approximately 2,612 ft of 8", 10" & 12" pipe
- OCDOT Improvements E. Taft Road – a project to install approximately 9,935 ft of 4", 6", 8", 10 " & 12 " pipe
- Various smaller system betterments and main extensions still in progress at year-end

#### Pre-Survey and Investigation Highlights

Pre-survey and investigation costs capture costs related to studies undertaken related to potential additions and improvements to the OCWA system. This account decreased due to factors including the transfer of project costs to Construction Work-in-Progress and/or Water Plant in Service. Among these was the transfer engineering costs for the 20MG Western and the 30MG Eastern Reservoirs to Construction Work-in-Progress.

#### Jobbing in Progress

Jobbing in progress captures costs associated with activities for which an individual or developer will pay for the job in full. The installation of new hydrants and large services within certain areas of OCWA's system are examples of this. A deposit for the job is taken. When the project is completed, the Authority will either bill the developer if the actual cost is more than the deposit or refund a portion of the deposit if the cost is less. "Job Orders" are also used to capture costs associated with repairing or replacing assets, generally hydrants and services, which are hit and damaged by individuals. The Authority then bills the individual or the individual's insurance for the repair cost. The account is also used to track the cost of contract operations and of maintenance agreements with various water systems. The balance in this account had decreased by \$34,647 at the end of 2009 as compared to the previous year end.

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## ONONDAGA COUNTY WATER AUTHORITY

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### OPERATIONS & ACCOMPLISHMENTS

Year Ended December 31, 2009

#### Long-Term Debt Administration

The Authority has two General Water System Revenue Bond issues and two E.F.C Drinking Water Bond issues outstanding with a remaining principal totaling \$45,188,143 as of December 31, 2009. OCWA's most recent bonds were issued in March of 2009.

The E.F.C Drinking Water Bonds, 2009 Series A were issued in the maximum principal amount of \$33,000,000. The New York State Environmental Facilities Corporation (EFC) agrees to purchase the bonds from time to time in amounts equal to "Advances" which are based upon requisitions submitted by the Authority. The balance, up to the maximum principal amount, is to be advanced upon conversion. The unpaid principal sum at December 31, 2009 was \$13,671,633. During the initial term the interest rate on the unpaid principal sum is 1%. Upon conversion the interest rate will be 4.8721%. Bonds mature serially in varying annual amounts and are expected to have a final maturity date of June 15, 2038. The first principal payment is expected to be due in June 2011.

The E.F.C Drinking Water Installment Bonds, 2008 Series A were issued in the amount of \$14,226,510. The 2008 Bonds mature serially in varying annual amounts through 2029, with an interest rate of 4.27%, one third of which is subsidized by E.F.C. (New York State Environmental Facilities Corporation). The first principal payment is due in October 2010.

As noted above, the Authority also has two Revenue Bond issues. One is the General Water System Revenue Bonds, 2005 Series A which has a remaining principal balance of \$11,835,000 as of December 31, 2009. This amount reflects a principal payment of \$505,000 made in September 2009. The required principal payment on the bond in 2010 is \$520,000, one twelfth of which is set aside monthly. The 2005 bonds mature serially in varying annual amounts through 2025, with interest rates ranging from 3.5% to 5.00%, payable semi-annually.

The other revenue bond issue that the Authority has outstanding is its 2001 Series A, General Water System Revenue Bonds with a balance of \$5,455,000 as of December 31, 2009. This amount reflects the principal payment of \$780,000 made in September 2009. The required principal payment on the bond in 2010 is \$815,000, one twelfth of which is set aside monthly. The 2001 bonds mature serially in varying annual amounts through 2015, with interest rates ranging from 3.5% to 5.00%, payable semi-annually.

Pursuant to a Trust Indenture, all revenues collected by the Authority are pledged to the payment of principal and interest on the bonds. All such revenues are deposited in the name of a trustee for allocation to funds set up in accordance with the Trust Indenture.

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**ONONDAGA COUNTY WATER AUTHORITY**

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**OPERATIONS & ACCOMPLISHMENTS**

Year Ended December 31, 2009

<b>Series Bonds</b>	<b>Bonds Outstanding as of December 31, 2009</b>
2009 EFC Bonds	\$13,671,633
2008 EFC Bonds	14,226,510
2005 Series A Bonds	11,835,000
2001 Series A Bonds	<u>5,455,000</u>
Total	<u>\$ 45,188,143</u>

OCWA Bond Rating

In February of 2009, Moody's Investors Service affirmed its Aa3 rating on OCWA's \$25.4 million General Water System Revenue Bonds, Series 2001 A and 2005 A. Moody's originally assigned an Aa3 rating to the Authority's \$13,840,000 2005 Water Revenue Bond issue in the fourth quarter of 2005. Also, the 2005 Water Revenue Bond issue was assigned a rating of AAA based on an insurance policy provided by Ambac Assurance Corporation.

As noted above, Moody's also affirmed the Aa3 rating that it assigned to the Authority's 2001 bonds back in the first quarter of 2001. With respect to that 2001 Water Revenue Bond issue, the issue was assigned a rating of AAA based on an insurance policy provided by Financial Security Assurance, Inc.

In accordance with the Trust Indenture, the Authority has established a bond reserve fund for its bond issues, and has maintained the required minimum balance for each. Income earned by the bond reserve funds is transferred routinely into the bond payment funds that are used to make the semi-annual bond payments. OCWA's Trustee, M&T Bank holds the bond reserve funds and the bond payment funds. Interest on the bond reserves is specifically for the payment of bond principal and interest.

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**ONONDAGA COUNTY WATER AUTHORITY**

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**OPERATIONS & ACCOMPLISHMENTS**

Year Ended December 31, 2009

**Looking Forward**

Based on increased debt expense related to the construction of two covered tanks being built to replace MWB's open reservoirs in Manlius and Van Buren, coupled with declining water sales, and taking into account projected increased operating expenses, the OCWA Board opted to increase rates for 2010 by 12.0% for residential and commercial customers. Further, rates for industrial and wholesale customers were increased 10.0% and fire protection accounts were raised by 3.25%. The ongoing annual rate increases are in accordance with the Authority's 2001 Bond Indenture, whereby OCWA's Board is required to review rates on an annual basis and adjust them accordingly. Rate increases since 2001 and up to and including 2010 are listed below:

<b>Year</b>	<b>Residential / Commercial</b>	<b>Wholesale</b>	<b>Industrial</b>	<b>Fire Protection</b>
2010	12.0%	10.0%	10.0%	3.25%
2009	15.0%	15.0%	9.9%	3.25%
2008	7.7%	7.7%	6.7%	3.25%
2007	9.8%	9.8%	6.75%	4%
2006	6%	6%	4%	4%
2005	8%	8%	5%	5%
2004	15%	15%	3%	3%
2003	2%	2%	2%	2%
2002	2%	2%	2%	2%

- For 2010 the Metropolitan Water Board did not raise its water rates. With the change in operation of the Southern Branch water system, OCWA now purchases 52.6% (down from 56% in 2009) of its water from MWB and 3.3% from the City of Syracuse (up from 1.1% in 2009). Purchased water costs are roughly 33.4% of the Authority's operating expense, before depreciation and amortization.
  
- OCWA saw a decrease in total staff, as some of the employees who retired in 2008 and 2009 were not replaced. Given the state of the economy, new hires in 2010 will be restricted to replacement of key personnel only. At present several positions are vacant due to retirement and will remain vacant for the foreseeable future.

## ONONDAGA COUNTY WATER AUTHORITY

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### OPERATIONS & ACCOMPLISHMENTS

Year Ended December 31, 2009

#### Looking Forward- continued

- With respect to capital construction projects, the table is set for the remainder of 2010. The water treatment plant project should be wrapped up by early summer 2010. The Van Buren (20MG Western Reservoir) tank should be on line by the middle of 2010 with full completion of the project anticipated by year end. The construction of the Manlius (30MG Eastern Reservoir) tank is underway and the new tank should be on line by the end of 2010, however full completion, including clean up, will run until June of 2011. With the completion of the 30MG Manlius tank, the existing Eastern open reservoir will be taken out of service and a new 20 MG tank will be built inside the footprint of the old tank. This work is projected to start in 2011.
- In addition to major capital improvements, OCWA has ongoing capital needs related to the operation and maintenance of the distribution system. In keeping with its ongoing asset management efforts, operating and engineering staff will continue to review and prioritize the overall needs related to replacement and or enhancement of all OCWA assets throughout the system

#### Request for Information

This report is presented as a broad overview of the financial condition of the Onondaga County Water Authority. Questions related to the report or the Authority in general should be sent to the Executive Director, Onondaga County Water Authority, PO Box 9, Syracuse, New York 13211-0009. Questions can also be directed to the Executive Director via the Authority's web site at [www.ocwa.org](http://www.ocwa.org).