FITCH RATES ONONDAGA COUNTY NY GOS 'AAA'; OUTLOOK NEGATIVE

Fitch Ratings-New York-03 June 2010: Fitch Ratings assigns an 'AAA' rating to the following Onondaga County, New York (county) general obligation bonds (GO bonds):

--$48.720 million 2010 series A;
--$4.905 million federally taxable recovery zone bonds, series 2010.

In addition, Fitch affirms the 'AAA' rating on the following bonds:
--$373.5 million GO bonds.

The bonds are expected to sell via competitive sale on June 15, 2010. The Rating Outlook on all bonds is Negative.

RATING RATIONALE:
--The county's historical financial performance has been sound and reserve levels remain adequate for the rating category.
--The debt burden is moderate and amortization is above average.
--The county benefits from a stable and growing tax base
--The economy continues to diversify away from the traditional manufacturing sector and benefits from ongoing development; unemployment rates remain below state and national averages.

WHAT COULD TRIGGER A DOWNGRADE:
--Failure to maintain financial flexibility consistent with the high rating category.
--Continued reliance on non-recurring revenues to maintain current reserves levels.
--Further pressure from high employee costs and increasing Medicaid case loads.

SECURITY:
The bonds are an unlimited general obligation of the county.

CREDIT SUMMARY:
Onondaga County is a diverse economic center of central New York with a stable employment base bolstered by the presence of the health care and higher education sector - the county is home to the Upstate Medical Center which recently opened its new Children's Hospital, and Syracuse University with a student enrollment of approximately 18,600. Declines in manufacturing employment have been somewhat offset by growth in service sector employment. Employment in wholesale and retail trade is also anticipated to benefit from the expansion of the existing regional mall into a multipurpose venue called DestiNY USA.

The county's unemployment rate has consistently been below state and national levels and remains lower at 7.9% in March 2010, compared to 8.8% and 10.2% for the state and nation, respectively. Income levels are slightly below state and national levels at 88% and 98%, respectively. The county's housing market remains stable, experiencing minimal foreclosures and declines in average medium home prices. While the county experienced a shortfall of $24 million in sales tax receipts in 2009 as a result of the weakened economy, a new sales tax sharing agreement effective Jan. 1, 2011 is expected to provide the county with an additional portion of future sales tax revenues.

Following a large fund balance drawdown of $9.6 million in fiscal 2008, the county again experienced a budget deficit in fiscal 2009 due to a sharp 9% decline in sale taxes receipts compared to budget, as well as other revenue shortfalls and higher human services expenditures. The gap would have been $9.7 million without completion of the sale in January 2010 of certificates relating to unpaid prior-year taxes and assessments. The use of these one-time revenues, $19 million of federal funds for Medicaid and significant expenditure reductions allowed the county to end 2009 with a small surplus. For 2009, the unreserved general fund balance equaled $69.4 million, or 10% of total expenditures and transfer. In its 2010 budget, the county assumes 1% growth in sales tax revenues over 2009 actual receipts, which Fitch believes may be optimistic. In addition, the 2010 budget assumes a 2.3% increase in the property tax levy and the use of $7.9 million of fund balance. Budgeted expenditures are lower by 2.3% than in 2009.

Overall debt ratios are low at $1,285 per capita and 2.22% of taxable market value and amortization is above average. The six-year capital improvement plan for 2010-2015 totals a manageable $783.6 million, about 75% of which will come from county-wide borrowing. Projects related to the court-ordered Onondaga Lake clean-up account for 28% of the planned spending for which the county will likely issue debt through the New York State Environmental Facilities Corporation. Lake remediation projects, which are more than halfway complete, are proceeding in a timely manner, and while final costs will likely exceed current estimates of $635 million, the project is scheduled for completion on time in 2018 as per the recently amended settlement agreement. Employee benefits costs are manageable and contributions to the state's pension system are paid in full each year. Other post employment benefits (OPEB) costs are manageable with an unfunded liability of $700 million. Pay-as-you-go payments of about $17 million are about one-third of the annual required contribution.

Applicable criteria available on Fitch's website at 'www.fitchratings.com' include:
--'Tax-Supported Rating Criteria' (Dec. 21, 2009).
--'U.S. Local Government Tax-Supported Rating Criteria' (Dec. 21, 2009).

The unlimited taxing power of most local government general obligation pledges is the broadest security a U.S. local government can provide to the repayment of its long-term borrowing, and therefore is the best indicator of its overall credit quality. The average local government general obligation rating is 'AA' with approximately 85% rated at or above 'AA-' and 1% rated 'BBB+' or below. The relatively high ratings reflect local governments' inherent strengths: the authority to levy property taxes, nonpayment of which can result in property foreclosures; additional taxing power that can include sales, utility, and income taxes; and essentiality of and lack of competition for services provided by local governments. Those with low investment-grade or below-investment-grade ratings generally have a combination of a limited or highly volatile economic base, high levels of long-term liabilities including debt and post-employment benefits, and/or unusually limited financial flexibility.

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Additional information is available at 'www.fitchratings.com'.