

Tax Supported
New Issue

Onondaga County, New York

Ratings

New Issue General Obligation Serial Bonds, Series 2011	AAA
Outstanding Debt General Obligation Bonds Taxable Certificates of Participation, Series 2010	AAA AA+

Rating Outlook

Stable

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New Issue Details

Sale Information: \$33,755,000 General Obligation Serial Bonds, 2011, expected to sell competitively on June 21.

Security: Ad valorem tax, without limit as to rate or amount.

Purpose: Various capital improvements.

Final Maturity: May 1, 2030.

Related Research

For information on Build America Bonds, visit www.fitchratings.com/BABs.

Applicable Criteria

- *Tax-Supported Rating Criteria, Aug. 16, 2010*
- *U.S. Local Government Tax-Supported Rating Criteria, Oct. 8, 2010*

Other Research

- *Fitch rates Onondaga County, NY's GOs 'AAA'; Outlook Stable, June 13, 2011*

Rating Rationale

- The 'AAA' rating reflects Onondaga County's solid financial performance evidenced by healthy reserve levels and Fitch Ratings' expectation that the county will maintain healthy reserve levels as a result of a newly implemented sales tax sharing agreement.
- The county benefits from a stable tax base, ongoing development, and a diverse economy highlighted by unemployment rates that are consistently below both state and national levels.
- The debt profile remains strong, characterized by a low overall debt burden and above-average amortization coupled with a manageable capital plan.
- The county's strong financial management is evidenced by conservative budgeting practices and ability and willingness to reduce expenditures.
- For the certificates of participation (COPs), the county's obligation to make repurchase payments, while not a GO debt of the county, is absolute and irrevocable and constitutes a binding contractual obligation of the county. The legal structure is satisfactory.

Key Rating Drivers

- The ability of management to control high employee costs and maintain financial flexibility and strong reserve levels consistent with the high rating level.

Credit Summary

Onondaga County is located in the center of New York approximately midway between Albany and Buffalo. The most significant municipal entity within the county is the City of Syracuse (GOs rated 'A' by Fitch), which serves as the county seat. As a result of a relatively stable housing market and a diverse economy, the recession was less severe on the county compared to the nation. The county benefits from a stable employment base bolstered by a strong presence of healthcare and higher education. The county is home to State University of New York (SUNY) Upstate Medical Center and Syracuse University with a student enrollment of approximately 18,600. The county's unemployment rate has consistently been below state and national levels. In March 2011, the county's unemployment rate was 7.4% compared to 8.0% and 9.2% for the state and nation, respectively. Income levels are slightly below state levels but comparable to national averages. The county's housing market remains stable, experiencing minimal foreclosures and declines in average medium home prices.

Following a significant shortfall of \$24 million in sales tax receipts and other revenues in fiscal 2009 as a result of the weakened economy, the county experienced a budget gap. The deficit would have been about \$9.7 million without nonrecurring revenue items including the sale of certificates relating to unpaid prior-year taxes and assessments and \$19 million in federal funds for Medicaid, and significant expenditure reductions. The county ended fiscal 2009 with a small surplus and unreserved general fund balance of \$69.4 million, or 10% of total spending.

The county's finances have since stabilized as a result of the implementation of a 10-year sales tax sharing agreement effective Jan. 1, 2011, providing increased financial flexibility. The new agreement provides the county with a greater percentage of sales tax receipts –

Rating History

Rating	Action	Outlook/ Watch	Date
AAA	Affirmed	Stable	6/10/11
AAA	Revised	Stable	2/9/11
AAA	Affirmed	Negative	6/3/10
AAA	Revised	Negative	4/30/10
AA+	Revised	Negative	11/30/09
AA+	Affirmed	Stable	2/6/09
AA+	Affirmed	Stable	11/20/07
AA+	Affirmed	Stable	11/8/06
AA+	Affirmed	Stable	8/1/05
AA+	Affirmed	Stable	11/30/04
AA+	Affirmed	Stable	8/2/04
AA+	Affirmed	Stable	7/2/03
AA+	Assigned	-	4/29/02

74% when fully implemented in 2013 compared to the prior 45%. The county estimates that revenues will increase by approximately \$55 million in fiscal 2011 and incrementally thereafter. Benefiting from the new sales tax agreement, which per GAAP required sales tax receipts in January and February 2011 be accrued into the 2010 fiscal year, combined with an unexpected 5.9% increase in sales tax collections over fiscal 2009, the county ended fiscal 2010 with a net operating surplus of \$9.9 million. In addition to increased sales tax revenues, new fee revenue and savings of \$2.4 million in salary generated from an early retirement program exercised by approximately 338 employees resulted in an increase in the unreserved general fund balance to \$76.7 million, or 11.0% of general fund spending.

The 2011 budget provides for a \$30.2 million (16.4%) reduction in property taxes in response to the approximately \$55 million in additional sales tax receipts that will be generated by the new tax sharing agreement. Current projections show a \$2.9 million

Debt Statistics

(\$000)

This Issue	33,755
Outstanding Direct Debt – Net of Refunding	183,306
Total Net Direct Debt	217,061
Overlapping Debt	326,593
Total Overall Debt	543,654

Debt Ratios

Direct Debt per Capita (\$) ^a	465
As % of Market Value ^b	0.8
Overall Debt per Capita (\$) ^a	1,164
As % of Market Value ^b	2.1

^aPopulation: 467,026 (2010). ^bMarket value: \$26,148,207,000 (2010). Note: Numbers may not add due to rounding.

General Fund Financial Summary

(\$000, Audited Years Ended Dec. 31)

	2007	2008	2009	2010
Property Tax	191,426	183,731	183,094	183,083
Sales Tax	291,732	299,044	284,399	302,259
Intergovernmental	158,765	160,860	172,525	171,525
Charges for Services	18,267	17,175	15,335	15,182
Other Revenue	35,451	34,324	46,064	32,248
Total General Fund Revenues	695,641	695,134	700,945	704,297
General Government	190,649	196,276	195,564	193,611
Public Safety	105,705	111,339	108,132	118,351
Health & Social Services	40,884	42,775	39,752	33,846
Culture & Recreation	16,720	17,406	17,571	16,349
Educational	48,254	51,384	51,637	51,284
Other	241,764	247,669	241,778	244,501
Total General Fund Expenditures	643,976	666,849	654,434	657,943
General Fund Surplus/(Deficit)	51,665	28,285	46,511	46,354
Transfers In	206	8,715	46	872
Transfers Out	55,877	46,636	42,604	37,364
Net Transfers and Other	(55,671)	(37,921)	(42,558)	(36,492)
Net Surplus/(Deficit)	(4,006)	(9,636)	3,953	9,862
Total Fund Balance	80,349	70,712	74,666	84,528
As % of Expenditures, Transfers Out, and Other Uses	11.5	9.9	10.7	12.2
Unreserved Fund Balance	74,263	65,874	69,374	76,719
As % of Expenditures, Transfers Out, and Other Uses	10.6	9.2	10.0	11.0

Note: Numbers may not add due to rounding.

budget surplus with year-to-date revenues on budget with the exception of sales tax which is projected to be 3% over 2010 actual receipts based on year-to-date collections versus a 0.9% budgeted increase. The general fund balance is projected to be \$71.2 million (budgetary basis) or 11% of revenues, above the county's 10% target.

Overall debt ratios are low at \$1,164 per capita and 2.1% of taxable market value, and amortization is above-average at 77% in 10 years. The six-year capital improvement plan for 2011–2016 totals a manageable \$823 million, about 75% of which will come from countywide 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 with the project scheduled for completion in 2018 as per the recently amended settlement agreement. The amended agreement also reduced the county's cost by \$50 million–\$60 million. Employee benefit 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 \$795 million, or 3% of market value. Pay-as-you-go payments of about \$17 million are about 27% of the annual required contribution.

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