

Summary:

Onondaga County, New York; General Obligation

Primary Credit Analyst:

Kate Hackett, New York (1) 212-438-7535; kate_hackett@standardandpoors.com

Secondary Credit Analyst:

Jesse Brady, New York (1) 212-438-7944; jesse_brady@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

Onondaga County, New York; General Obligation

Credit Profile		
US\$53.625 mil GO (serial) bnds 2010 ser A & GO (serial) bnds 2010 (taxable recovery zone bnds) due 06/15/2030		
<i>Long Term Rating</i>	AA+/Stable	New
Onondaga Cnty GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AA+' long-term rating and stable outlook to Onondaga County, N.Y.'s series 2010A general obligation (GO) bonds and series 2010 GO bonds (federally taxable recovery zone bonds). We also affirmed the 'AA+' long term rating on the county's existing GO debt.

The rating reflects the county's:

- Deep economic base that serves as the regional anchor and employment center for central New York, stabilized during weaker economic periods by a large presence of higher education- and health-care-related institutions;
- Strong financial management that has been proactive for several years in adapting to economic and infrastructure challenges, specifically through a willingness to increase revenues when necessary;
- Historical maintenance of strong fund balance levels, achieved via structurally balanced and consistently positive operations; and
- Below-average overall debt burden, tempered by the county's reliance on state and federal grants to offset costly ongoing challenges, specifically the lake cleanup project.

The county's faith and credit GO pledge secures the series 2010 bonds. The county will levy for the full amount of principal and interest on the bonds. Proceed will be used to fund various capital projects, including park and road improvements and building renovations at Onondaga Community College.

Located in central New York, Onondaga County's population has declined slightly since 2000 to 455,842. The City of Syracuse is located in the center of the county, anchoring the business and commercial activities. County employment fell 3% between 2006 to 2009 due to the recession. Four of the top five employers, all with over 2,500 employees, are health care or higher education organizations. SUNY Upstate Medical University and Syracuse University each employ more than 6,000 residents. Other top employers include Wegmans Food Markets (over 4,000), St. Joseph's Hospital Health Center (over 3,000), Crouse Hospital (over 2,500), Loretto Adult Care Facilities, and Lockheed-Martin (each with more than 2,000). County unemployment has historically been below the state and the nation; the unemployment rate was 7.9% in March 2010, compared with 8.8% for the state and 9.7% for the nation. Wealth and income indicators, remain somewhat below the state and national levels at 92.5%.

The county's full market value of property has increased 31% since 2005 to \$26.1 billion in 2010, while assessed valuation rose 25%. The tax base is diverse, with the 10 leading taxpayers accounting for just 5.04% of full

valuation in 2009. Full property value per capita was \$57,335, based on 2010 property values.

The county's financial position remains strong in our opinion, with the unreserved fund balance at over 9% of general fund expenditures in the past five years. Fiscal 2008 closed with an unreserved fund balance of \$65.9, or 9.9% of expenditures on a generally accepted accounting principles basis. This level reflects a budgeted drawdown of \$9.6 million in general fund reserves, better than the \$16 million originally budgeted. The county has a formal reserve policy of maintaining an unreserved fund balance of at least 10% of general fund revenues, after adjustment for the sales tax revenues distributed to underlying municipalities. On this basis, the unreserved fund balance in 2008 represented 12% of adjusted general fund revenues. At the close of fiscal 2009, the unreserved fund balance in the general fund was \$69.4 million, or 10.6% of expenditures. Total fund balance was \$74.4 million. After adjustment for the distribution of sales taxes, the unreserved fund balance was 12.6% of general fund revenues. The county had an ending operating surplus of \$3.9 million.

In 2009, property taxes and sales taxes accounted for 33% and 24%, respectively, of adjusted general fund revenues, while state revenues and federal revenues accounted for 17% and 15%, respectively. Overall, 2009 sales tax revenues declined 5.8% from 2008, although the impact on general fund revenues was greater (9.8% decline) due to certain "hold harmless" provisions for municipalities under the sales tax distribution formula. Revenues from state sources declined 9%. The original 2009 budget included projections for sales tax revenues based on relatively high gasoline prices and increases in state revenues. These revenue shortfalls, combined with increased costs in social service programs, contributed to a budget gap of \$30 million. The county closed this gap with midyear budget cuts of \$9 million, additional Federal Medical Assistance Percentage funding of \$19 million, and the sale of property tax certificates.

The fiscal 2010 budget, as amended in October 2009, was 2.3% below the 2009 budget. The county reduced its payroll by 257 from 2009, including about 100 layoffs. The budget included the use of fund balance (\$7.9 million), use of debt reserve funds (\$2 million) and the cancellation of capital projects (\$1 million). Recurring revenues included a property tax levy increase of 2.3%, a new Department of Motor Vehicle fee totaling \$2.1 million and an increased E911 surcharge of \$1.7 million. Sales taxes are projected to exceed budget by \$1.1 million, based on year-to-date receipts compared with a year earlier. After the budgeted drawdown, the unreserved fund balance in the general fund is a projected \$59.9 million, or 9.2% of 2009 expenditures. With this amount representing 10.9% of general fund revenues, adjusted for sales tax distributions, the county is in compliance with its fund balance policy.

Onondaga County levies a sales tax of 4%. Under the current sales tax-sharing agreement between the county and its underlying municipalities, the county retains a share of approximately 46% of the revenue collected, with the balance allocated to municipal governments and school districts. In May 2010, the Onondaga County Legislature approved a new sales tax-sharing agreement for 2011 through 2020, effective Jan. 1, 2011. After a phase-in period, the agreement essentially allocates 73.6% of the sales taxes collected to the county, 24.3% to the City of Syracuse, and the remainder to other local governments. Assuming a 1% increase in collections, this new agreement is expected to increase county sales tax revenues by \$66 million in 2011.

Standard & Poor's considers the county's management practices "strong" under its Financial Management Assessment. This indicates that practices are strong, well-embedded, and likely sustainable.

Onondaga County's overall debt burden is low at \$1,273 per capita and 2.2% of 2010 full market value. Debt service carrying charges have historically been low and came to just 4.8% of general fund expenditures in fiscal

2009. The county continues to retire debt at a rapid pace, with 75% amortized in 10 years and 95% in 20 years. The county's six-year (2010-2015) capital improvement program totals nearly \$400 million and will be primarily funded by debt. Major water facility-related capital requirements include the continued cleanup of Onondaga Lake as required by the amended consent judgment.

County employees participate in the state retirement fund. County payments into this retirement system were \$17.03 million, or 2.6% of expenditures in 2009. The county is in compliance with General Accounting Standards Board 45 (other postemployment benefits, or OPEB) accounting disclosure. As of Jan. 1, 2009, the unfunded actuarial accrued liability for the county totaled \$700.9 million, with an annual required contribution of \$54.7 million, or 8.3% of 2009 general fund expenditures. The county pays for OPEB on a pay-as-you-go basis and paid \$17.4 million, or 2.7% of general fund expenditures in 2009.

Outlook

The stable outlook reflects Onondaga County's solid economic base, strong financial management practices, willingness to maintain strong general fund reserves, and low overall debt burden. It also reflects our expectation that the county will continue to address its contingent liabilities, especially the lake cleanup, without straining general fund operations or reserves. We also expect the county to continue to appropriately manage any out-year budget gaps, mandated expenses, and capital improvement requirements.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

Ratings Detail (As Of June 8, 2010)		
Onondaga Cnty GO		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Onondaga Cnty GO (CIFG)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

Complete ratings information is available to RatingsDirect on the Global Credit Portal subscribers at www.globalcreditportal.com and RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright (c) 2010 by Standard & Poor's Financial Services LLC (S&P), a subsidiary of The McGraw-Hill Companies, Inc. All rights reserved.

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P. The Content shall not be used for any unlawful or unauthorized purposes. S&P, its affiliates, and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P's opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.