Onondaga County, New York

General Obligation Bonds
New Issue Report

Ratings

New Issues

General Obligation Serial Bonds, 2013	AAA
Outstanding Debt	
General Obligation Bonds	AAA

Rating Outlook

Stable

Related Research

Fitch Rates Onondaga County, NY's GOs 'AAA'; Outlook Stable (June 2013)

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New Issue Details

Sale Information: $67,870,000 General Obligation Serial Bonds, 2013, selling competitively on June 13.

Security: The series 2013 GO bonds are secured by Onondaga County's (the county) faith and credit and taxing power, subject to a 2011 state statute limiting property tax increases to the lesser of 2% or an inflation factor (tax cap law). This limit can be overridden annually by a 60% vote of the county Legislature.

The county has pledged its faith and credit and unlimited taxing power for debt service on outstanding GO bonds issued prior to the law's adoption in 2011. No exemption is made under the tax cap law for debt service on outstanding GO debt; however, the constitutionality of this provision has not been tested.

Purpose: To fund various capital improvements in the county.

Final Maturity: May 1, 2033.

Key Rating Drivers

Strong Financial Management and Results: The high rating reflects the county's solid financial performance highlighted by healthy reserve levels supported by conservative budgeting and active financial reporting and monitoring.

Diverse Base: The county benefits from a stable tax base, ongoing development and a diverse economy, with strong education and healthcare sectors and unemployment rates that are consistently below both state and national levels.

Manageable Debt Profile: The debt profile remains manageable, characterized by an average overall debt burden, modest carrying costs and above-average amortization coupled with moderate capital plans.

Rating Sensitivities

Continued Strong Financial Position: The rating is sensitive to shifts in fundamental credit characteristics, including the county's strong financial management practices. The Stable Rating Outlook reflects Fitch Ratings' expectation that such shifts are unlikely.

Rating History

Rating	Action	Outlook/ Watch	Date
AAA	Affirmed	Stable	6/5/13
AAA	Affirmed	Stable	6/7/12
AAA	Affirmed	Stable	6/13/11
AAA	Affirmed	Stable	2/9/11
AAA	Affirmed	Negative	6/3/10
AAA	Affirmed	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

Related Criteria

U.S. Local Government Tax-Supported Rating Criteria (August 2012)

Tax-Supported Rating Criteria (August 2012)

Credit Profile

Onondaga County is located in the center of New York, approximately midway between Albany and Buffalo. The most significant municipal entity in the county is Syracuse (GOs rated 'A' by Fitch), which serves as the county seat and the economic center for the region. County population is growing slowly, increasing about 2% from 2000 to 2011. 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.

Stable, Diverse Economy; Mixed Demographic Indicators

The county benefits from a stable employment base bolstered by a strong presence of healthcare and higher education. Major employers include the State University of New York (SUNY) Upstate Medical University Center, with almost 8,000 employees, and Syracuse University, with 6,504 employees and a student enrollment of approximately 20,800.

The region is experiencing ongoing development. Upstate Medial University is finishing construction of a $20 million research and development facility and is building a new $74.5 million cancer center with a spring 2014 targeted opening. Syracuse is actively leading a number of urban revitalization programs to strengthen its downtown area. Resolution to litigation in late 2010 regarding DestiNY, a large shopping mall expansion on the edge of downtown, allowed the mall's expansion to have its opening in summer 2012 and is partly responsible for the uptick in sales tax receipts.

The county's unemployment rate has consistently been below state and national levels, but the rate of employment declines were just above those of the state and nation for 2011 and 2012. Employment more closely mirrored the state's performance in the year ending March 2013, shrinking 0.1%, and both underperformed the national 0.9% employment increase. In March 2013, the county's unemployment rate was 7.7% compared with 8.0% and 7.6% for the state and nation, respectively. Income levels are slightly below state levels but roughly comparable to national averages. The county's housing market remains stable, experiencing minimal foreclosures and declines in average medium home prices.

Solid Financial Performance

Year-end Dec. 31, 2012 results represent the fourth year of both a general fund operating surplus after transfers and available general fund balance at or above the county's 10% policy floor (13.2% in 2012). The general fund ended 2012 without the use of a budgeted $18 million in fund balance, ending the year with a small surplus of $600,000. The surplus was a result of higher than budgeted sales tax, which offset a reduction in the property tax levy, and slower growth in mandated costs. The county ended 2012 with an unrestricted general fund balance (the sum of committed, assigned and unassigned balances under GASB 54) of $92.4 million, or a healthy 13.0% of general fund spending.

The county's finances have benefitted from the implementation of a 10-year sales tax sharing agreement effective Jan. 1, 2011, providing increased financial flexibility. The agreement increases the county's retained percentage of sales tax receipts to 74% from 45% after full implementation by 2013. Under the new sales tax sharing agreement, the county's retained share of sales tax collections increased to 73% in 2012 from 69% in 2011. The county's retained share of sales tax revenue exceeded the budget by $8 million, resulting in a county total of $234 million in 2012, a $30 million increase over 2011. From 2007–2012, the county's share of sales tax revenues grew by 67.1%, more than offsetting the county-implemented property tax levy decline of 19.4% during the same time period.

General Fund Financial Summary

($000, Years Ended Dec. 31)

	2008	2009	2010	2011	2012
Property Tax Revenue	183,731	183,094	183,083	158,026	155,265
Sales Tax Revenue	299,044	284,399	302,259	315,010	328,279
Total Tax Revenue	482,775	467,493	485,342	473,036	483,544
Charges for Services	17,175	15,335	15,182	19,292	27,077
Intergovernmental Revenue	160,860	172,053	171,525	173,568	175,539
Other Revenue	34,324	46,064	32,248	33,119	25,241
General Fund Revenue	**695,134**	**700,945**	**704,297**	**699,015**	**711,401**
General Government	196,276	195,564	193,611	148,422	141,133
Public Safety Expenditures	111,339	108,132	118,352	117,375	125,625
Health and Social Services Expenditures	42,775	39,752	33,846	39,697	51,790
Culture and Recreation Expenditures	17,406	17,571	16,349	16,255	12,939
Educational Expenditures	51,384	51,637	51,284	47,953	39,572
Other Expenditures	247,669	241,778	244,501	271,496	289,392
General Fund Expenditures	**666,849**	**654,434**	**657,943**	**641,198**	**660,451**
General Fund Surplus	**28,285**	**46,511**	**46,354**	**57,817**	**50,950**
Transfers In	8,715	46	872	823	1
Transfers Out	46,636	42,604	37,364	43,975	50,354
Net Transfers and Other	**(37,921)**	**(42,558)**	**(36,492)**	**(43,152)**	**(50,353)**
Net Surplus/(Deficit)	**(9,636)**	**3,953**	**9,862**	**14,665**	**597**
Total Fund Balance	70,712	74,666	84,528	99,195	99,791
As % of Expenditures, Transfers Out and Other Uses	9.9	10.7	12.2	14.5	14.0
Unreserved Fund Balance	65,874	69,374	76,719	—	—
As % of Expenditures, Transfers Out and Other Uses[a]	9.2	10.0	11.0	—	—
Unrestricted Fund Balance	—	—	—	93,909	92,357
As % of Expenditures, Transfers Out and Other Uses[b]	—	—	—	13.7	13.0

[a]Pre-GASB 54. [b]Reflects GASB 54 classifications: sum of committed, assigned and unassigned. Note: Numbers may not add due to rounding.

The 2013 adopted budget totals $1.2 billion, a 1.3% increase from the 2012 modified budget. The general fund budget includes a 4.9% decrease in the property tax levy and the use of $8.0 million in general fund reserves, resulting in an unrestricted fund balance of 10%, within the county's policy. The 2013 budget appropriates funding to support a full year of operations of the county-owned nursing home (Van Duyn Home and Hospital). However, it is anticipated that the sale to a third-party operator will be completed as of Nov. 30, 2013, and that the county will cease its operations as of such date. In 2012, the general fund contributed $7.7 million toward the home's operations.

As of end of the first quarter of 2013, the county projections show a $4.8 million surplus. Contributing to the surplus is projected savings in mandated costs and better than budgeted sales tax receipts. Actual sales tax collections through April 2013 were 3.5% ahead of 2012. Given management's conservative budget practices and strong financial oversight, Fitch expects the county to maintain a positive financial profile.

Manageable Debt Profile

The county's debt levels are manageable. Debt per capita at $1,770 is below average, with debt to taxable market value moderate at 2.5%. Debt amortization is rapid, with 68% of principal retiring in 10 years. The county's six-year (2013–2018) capital improvement plan (CIP) outlines $182 million in proposed general fund projects to be funded with debt, a slight decline from the previous CIP due to the county's focus on projects that are likely to get authorized each year versus all projects under consideration. Fitch expects debt levels to remain stable.

Debt Statistics

($000)

This Issue	67,870
Outstanding Direct Debt – Net of Refunding	692,793
Self-Supporting	221,359
Total Net Direct Debt	**471,434**
Overlapping Debt	354,691
Total Overall Debt	**826,125**
Debt Ratios	
Net Direct Debt Per Capita ($)[a]	1,010
As % of Market Value[b]	1.4
Overall Debt Per Capita ($)[a]	1,770
As % of Market Value[b]	2.5

[a]Population: 466,852 (2012). [b]Market value: $32,727,383,000 (2012). Note: Numbers may not add due to rounding.

The county contributes to the state's defined benefit retirement system. Contributions to the state's pension system are paid in full each year. The county is estimating an approximately $3 million cumulative decrease over the next three years for pension costs due primarily to the adoption of the Tier VI plan. The funding of the state's pension is strong, with the state and local employees plan at 90% as of March 31, 2012. Using Fitch's more conservative 7% discount rate assumption, the plans' funding levels would still be sound at 86%.

Other post-employment benefits (OPEB) costs are manageable, with an unfunded liability of $922.5 million, or a moderate 2.8% of market value as of Jan. 1, 2012. Carrying costs for debt service, pensions and pay-as-you-go OPEB payments are considered below average by Fitch at approximately 13.2% of total government spending in 2012.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.