STANDARD & POOR'S RATINGS SERVICES

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Summary:

Onondaga County, New York; General Obligation

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Credit Profile		
US$67.87 mil GO (serial) bnds ser 2013 due 05/01/2033		
Long Term Rating	AA+/Stable	New
US$19.73 mil GO rfdg (serial) bnds ser 2013 due 03/15/2026		
Long Term Rating	AA+/Stable	New

Rationale

Standard & Poor's Ratings Services has assigned its 'AA+' long-term rating to Onondaga County, N.Y.'s series 2013 general obligation (GO) bonds and affirmed its 'AA+' long-term rating and underlying rating (SPUR) on the county's existing GO debt. The outlook is stable.

The rating reflects our opinion of the county's:

- Stable and 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;
- Historical maintenance of strong reserves, achieved through operations that we consider structurally balanced; and
- Low debt burden offset by a significant unfunded other postemployment benefit (OPEB) liability and the potential for further liabilities related to the Onondaga Lake clean-up.

The county's faith and credit GO pledge secures the bonds. Officials plan to use bond proceeds to finance capital improvement projects, including some water and sewer projects that will be repaid from system revenues.

Onondaga County, with an estimated population of more than 460,000, encompasses approximately 780 square miles in central New York. Syracuse is at the county's center, where it anchors commercial activity. Health care and higher education are the county's primary economic drivers, contributing to economic stability. Leading employers include State University of New York (SUNY) Upstate University Health System, Syracuse University, St. Joseph's Hospital Health Center, Crouse Hospital, and Loretto Adult Care Facilities. Property values have remained stable or increased slightly over the past five years, and market value per capita is what we consider strong at $57,020. Unemployment in 2012 was on par with the national rate, but trended up from the prior year, averaging 8.1%. Income levels are good, in our opinion, at 97% of the national average.

The county maintains its strong financial position, in our view. It closed fiscal 2012 with a $600,000 general fund surplus--its fourth consecutive surplus--despite appropriating $18 million of fund balance in the final budget. The surplus increased total fund balance to $99.8 million, or 15% of expenditures, of which $92 million (14%), was considered available and $67 million (10%) unassigned. We understand that the surplus was due to strong sales tax growth of 5% from the prior year -- in large part from DestinyUSA -- and elevated gas prices, coupled with social service cost stabilization. The adopted fiscal 2013 budget included a 5% reduction to the tax levy and assumed 3.4% sales tax revenue growth per the continued sales tax sharing agreement phase-in. The adopted budget appropriated $5 million of fund balance for recurring expenditures, though officials report positive sales tax revenue and social service cost variances could replenish the appropriation. However, budget modifications appropriated a further $5 million to committed fund balance for future debt service stabilization, and $12 million for nonrecurring expenditures, including capital. In all, the county reports that it could see a reduction in the available fund balance (assigned and unassigned) of $17 million based on current projections, but will maintain unassigned fund balance at $67 million, equivalent to its policy target of 10% of county revenue.

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

Onondaga County's overall debt burden, including the current issue, is low at $1,518 per capita and 2.7% of market value, net of utility system self-support for state revolving fund loans and tobacco settlement proceeds related to the securitization. Debt service carrying charges have historically been low, in our opinion, and were just 4.9% of total governmental expenditures in fiscal 2012. Ongoing capital needs identified in the county's capital improvement plan remain substantial, with $182 million in general fund projects and $162 million of sewer projects, including lake cleanup.

The county fully funds its annual required contribution (ARC) to the state pension systems. Fiscal 2012 contributions were $43 million, representing 4.5% of governmental expenditures. The county also provides OPEB to its retirees and finances it on a pay-as-you-go basis -- the state does not currently allow for the accumulation of assets against the liability. In fiscal 2012, Onondaga contributed 32% of its $76 million ARC. The unfunded liability as of Jan. 1, 2012, was a sizable $923 million. The county is working on benefit reforms that could have an impact on the size of the liability, including shifting retirees to Medicare Advantage at age 65 and working with bargaining units on co-pays and premium contributions.

Outlook

The stable outlook reflects Standard & Poor's opinion of Onondaga County's stable economic base, strong financial management practices, and demonstrated willingness and ability to maintain strong general fund reserves. The stability of sales tax collections and the county's ability to address its contingent liabilities, especially the lake cleanup, without straining general fund operations or reserves, are ongoing credit considerations. These factors could have an adverse effect on the rating in the long term. However, we believe the county will likely maintain its fiscal balance and do not expect to change the rating in the next two years.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008

- USPF Criteria: Financial Management Assessment, June 27, 2006
- State And Local Government Ratings Are Not Directly Constrained By That Of The U.S. Sovereign, Aug. 8, 2011

Ratings Detail (As Of June 10, 2013)		
Onondaga Cnty GO rfdg (serial) bnds ser 2012 due 02/15/2025		
Long Term Rating	AA+/Stable	Affirmed
Onondaga Cnty GO		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
Long Term Rating	AA+/Stable	Affirmed
Onondaga Cnty GO (CIFG)		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

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