

RatingsDirect®

Summary:

Onondaga County, New York; General Obligation

Primary Credit Analyst:

Lindsay Wilhelm, New York (1) 212-438-2301; lindsay.wilhelm@standardandpoors.com

Secondary Contact:

Danielle L Leonardis, New York (1) 212-438-2053; danielle.leonardis@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

Onondaga County, New York; General Obligation

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

<i>Long Term Rating</i>	AA+/Stable	Affirmed
-------------------------	------------	----------

Onondaga Cnty GO

<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
--------------------------	------------------	----------

<i>Long Term Rating</i>	AA+/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 subscribers of RatingsDirect at www.globalcreditportal.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 © 2013 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, 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 Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P 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 (negligent or otherwise), 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 or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. 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 does not act as a fiduciary or an investment advisor except where registered as such. 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.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

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 nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain 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 www.spcapitaliq.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.