

NEWS

RELEASE



NICHOLAS J. PIRRO
COUNTY EXECUTIVE

COUNTY OF ONONDAGA

DEPARTMENT

Office of the County Executive

RELEASE DATE

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County Executive Nicholas J. Pirro today announced that FitchRatings, Inc. has upgraded Onondaga County's credit rating to a AA+ ("double-A Plus"), the second highest rating that can be awarded to a government or corporate organization.

In upgrading the County from a AA ("double-A") rating, Fitch cited Onondaga County's strong financial management policies and practices as well as a diversifying local economy.

In a report issued today, Fitch said the upgrade reflects the firm's "expectation for maintenance of the County's strong financial position even through this period of economic weakness, a substantial decrease in direct debt burden with the enlightened use of tobacco securitization proceeds, and the recent formal adoption of a well conceived set of debt affordability policies that add significantly to budget flexibility."

The upgrade by Fitch follows a similar improvement in the County's ratings to AA+ by Standard and Poor's in 2000 and a AA2 rating by Moody's Investor Services.

Pirro said the upgrade by Fitch reflects the priority he has placed on solid, conservative management of the County's finances. The County has cut property taxes in each of the past six years, while replenishing its reserves, ending cash flow borrowing, and enhancing services.

"Excellent management may not generate a lot of headlines," Pirro said, "but it serves as the crucial link between low taxes and high quality services. By keeping our eye on the bottom line, making tough decisions when they must be made, and basing budget decisions on good government rather than good politics we are saving taxpayers' dollars and ensuring the maintenance of essential public services."

Pirro also cited the County Legislature's commitment to sound fiscal policies, particularly its 1999 policy governing the level and use of the County's reserves. That policy has been widely recognized as a "best practice" and has contributed to recent rating upgrades. The County Executive praised Ways & Means Chair Martha Mulroy and the Ways and Means members for their role in shaping and upholding the County's financial policies.

The county received the rating on the impending sale of \$41.1 million in general obligation bonds to finance a portion of the new county courthouse, park infrastructure and several highway and bridge projects.

Fitch Ratings Upgrades Onondaga County, New York's \$41.2MM GOs to 'AA+'

Fitch Ratings-April 29, 2002: Fitch assigns its 'AA+' rating to Onondaga County, NY's (the county) \$41,173,000 general obligation (serial) bonds, 2002 series A and raises the rating on the county's \$303.4 million of outstanding general obligation bonds to 'AA+' from 'AA'. The upgrade reflects Fitch's expectation for maintenance of the county's strong financial position, even through this period of economic weakness, a substantial decrease in direct debt burden with the enlightened use of tobacco securitization proceeds, and the recent formal adoption of a well-conceived set of debt affordability policies that add significantly to budgetary flexibility. Favorable credit factors also include the county's diversifying economy, which has exhibited stability during the recessionary period as the growth in the services and government sectors outpaced the decline in manufacturing jobs. Business expansion, aided by targeted tax incentives, has led to slow but steady gains in overall employment. Fitch Ratings believes the county's financial flexibility, enhanced by reduced debt levels, and its strong record of financial management throughout the economic cycle are particularly important in view of the ongoing budgetary pressures caused by mandated social services costs.

The current offering, scheduled for competitive bids on April 30, will finance a portion of the county courthouse, park infrastructure, and several transportation infrastructure projects. Dated May 1, 2002, the bonds will mature serially from 2004-2023 and will be callable on May 1, 2013 at 101, declining to par thereafter.

Onondaga County is a diverse economic center of upstate and central New York. The 2000 Census reports a population decline of 2.3% since 1990, although the losses appear to have slowed, as evidenced by recent gains in the labor force. Manufacturing continues to be a major contributor, with companies such as Carrier Corp., New Venture Gear, and Lockheed Martin maintaining a strong local presence. However, much of the recent job growth is coming from small and midsize companies focusing on business services, telecommunications, and high technology research. Employment is centered in the higher education, health care, and business service sectors, anchored by the presence of Syracuse University and the SUNY Upstate Medical University. Wholesale and retail trade employment is expected to benefit from the ongoing development of the Syracuse Inner Harbor project and the planned expansion of the existing regional mall into a multipurpose venue to be named DestiNY USA. Still, personal income growth remains below state and national averages, an indicator that new jobs are paying less than those lost in manufacturing. Unemployment levels in February 2002 remain below metropolitan and state averages, but on par with the national average.

Strong management, conservative budgeting, and strict fiscal controls have resulted in the accumulation of healthy fund balances over the past seven years. Rising health care costs and a shortfall of revenues in the last quarter of fiscal 2001 resulted in a \$4.4 million operating deficit but the county took strong measures for 2002 to maintain structural balance. The audited unreserved general fund balance was reduced to \$66.8 million, or 13.4% of spending and transfers, still above its 10% goal. A 1999 resolution requires the maintenance of total fund balance equal to 10% of general fund revenues and directs surpluses to debt defeasance, debt avoidance, or tax relief. Notably, healthy levels of reserves have been maintained while the county repeatedly reduced the property tax levy since fiscal 1996. The 2002 budget is on target thus far even after conservatively estimating intergovernmental revenues in a period of state budget volatility and making accommodation for rising mandated costs.

Overall debt ratios have been reduced substantially to \$752 per capita and 1.93% of full property valuation in fiscal 2001 from \$1,136 and 3.0%, respectively, with the use of \$95.2 million tobacco settlement securitization proceeds. Moreover, debt service relative to budget declines to 2.7% of 2002 general fund appropriations from 7.3% in the prior year. Borrowing needs remain manageable given the current financing arrangements for the court-ordered Onondaga Lake cleanup. Lake remediation projects are proceeding in a timely manner and are currently underbudget, although there remains a risk that the cleanup plan may change if discharge limits are not achieved. The five-year capital improvement plan (CIP) totals \$508 million, about 45% of which will come from county borrowing. Amortization is a rapid 68% in 10 years.

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