

Summary:

Oneida, New York; General Obligation

Primary Credit Analyst:

Lindsay Wilhelm, New York 212-438-2301; lindsay_wilhelm@standardandpoors.com

Secondary Contact:

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

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

Oneida, New York; General Obligation

Credit Profile

US\$2.665 mil GO bn ds dtd 02/10/2011 due 02/10/2023

Long Term Rating

A+/Stable

New

Rationale

Standard & Poor's Ratings Services assigned its 'A+' rating, and stable outlook, to Oneida, N.Y.'s series 2011 general obligation (GO) public improvement bonds.

The rating reflects our view of the city's:

- Stable local economy with access to the Syracuse, N.Y. and Utica, N.Y. employment bases;
- Increasing property wealth;
- Strong financial position with good management practices; and
- Low-to-moderate overall net debt burden.

The city's full faith and credit GO pledge secures the bonds. We understand officials plan to use bond proceeds to refund the city's bond anticipation notes (BANs) outstanding, maturing on Feb. 11, 2011. The city originally issued the BANs to fund various public improvement projects, including a justice center, as well as renovations to city property.

Oneida, with an estimated population of 10,618, is in Madison County (A+/Stable) in central New York State. In general, residents work in the city and commute into Syracuse (25 miles away) and Utica (20 miles). Leading area employers include:

- Oneida Indian Nation Casino (4,900 employees),
- Oneida Health Care Center (850), and
- Wal-Mart Stores Inc. (450).

Income levels are, in our view, an adequate 85% of the national average. County unemployment has trended similar to the state's rate but below the nation's rate; county unemployment was 7.9% as of November 2010. Property values have continued to grow at an annualized rate of 1.8% over the past five years; management attributes this growth to a combination of price appreciation and new residential developments. Market value is, in our view, an adequate \$46,478 per capita. The city's property tax base is, in our opinion, very diverse with the 10 leading taxpayers accounting for approximately 17% of total assessed value (AV). In addition, AV is spread across residential (74%), commercial (23%), and industrial (3%) properties.

Oneida's general fund revenues have been declining since fiscal 2006. Revenues primarily consist of sales taxes (43% of general fund revenues), property taxes (21%), and state aid (20%). While sales tax collections are rebounding, state aid declined by \$55,000 in fiscal 2010; officials expect state aid to decline by the same amount in fiscal 2011. The city finished each of the past five fiscal years with operating surpluses. Management, however, continues to use general fund reserves to make budgeted transfers into the capital projects fund. fund balance, however, remains, in

our view, very strong. For fiscal year-end Dec. 31, 2008, (the last year for which a final audit is available), unreserved fund balance totaled approximately \$6 million, or 61% of expenditures, which we consider very strong. Draft fiscal 2009 audit results show that figure declining to \$5 million, or 52% of expenditures. For fiscal year-end Dec. 31, 2010, management is projecting approximately \$4 million in ending fund balance, which, in our opinion, remains a very strong 38% of expenditures.

The city's fund balance policy, in effect through fiscal 2011, requires it to maintain a general fund balance at 20% of expenditures. While management plans to adopt a similar policy for fiscal 2012, it expects to lower the general fund floor to 5%-10% of expenditures. As an offset, officials also plan to reduce fund balance use: The 2011 budget appropriates just \$800,000 compared with the \$1.2 million budgeted for fiscal 2010.

The city's 2011 budget includes postponed capital expenditures, a wage freeze, and a number of cost controls and departmental reorganizations. The total budget, including capital transfers, is \$11.6 million, slightly below the \$11.8 million fiscal 2010 budget. Based on the preliminary fiscal 2009 audit results, the city has maintained its cash position with 185 days' cash on hand.

Standard & Poor's considers Oneida's financial management practices "good" under its Financial Management Assessment (FMA) methodology, indicating financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them. In addition to a formally adopted fund balance policy, other practices include management's:

- Three-year capital improvement plan,
- Five-year general fund budget projections that it updates at least annually, and
- Monthly budget and investment reports to the common council.

Oneida's overall debt burden is, in our view, a low-to-moderate \$1,656 per capita, or 3.5% of market value. Debt service carrying charges are low at slightly less than 8% of total governmental expenditures. Taking self-support into account for water and sewer debt, the debt burden declines to \$654 per capita, or 1.4% of market value, which we consider very-low-to-low. Officials plan to retire 57% of debt, including this issue, over the next 10 years and the remainder by 2039.

The city's fixed costs -- which include debt service, pension, and other postemployment benefit (OPEB) -- accounted for 17% of fiscal 2009 expenditures. The city currently funds its OPEB obligations through pay-as-you-go financing. Its 2009 annual OPEB cost was \$3.2 million, or 19% of expenditures; actual contributions, however, were just \$745,000 because state law does not allow for OPEB trusts. Before fiscal 2011, the city contributed 100% of its actuarially determined pension contributions to the state system. The city, however, elected to amortize the required fiscal 2011 increase over 10 years at approximately \$28,000 annually.

Outlook

The stable outlook reflects Standard & Poor's view of the city's strong financial position, supported by a stable local economy. The city's continued ability to maintain fund balance by managing its tax levy and reducing expenditures to absorb any further increases in pension and OPEB fixed costs will likely continue to bear on the rating. A significant decline in the city's financial position could put downward pressure on the rating.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

Complete ratings information is available to RatingsDirect subscribers on the Global Credit Portal 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 © 2011 by Standard & Poors 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.