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## Fitch Rates Monroe County, New York's \$68MM GO Rfdg Bonds at 'BBB+' Stable

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NEW YORK, Mar 19, 2008 (BUSINESS WIRE) -- **NO MATCHES FOUND.** | [news](#) | [PowerRating](#) | [PR Charts](#) -- Fitch Ratings assigns a 'BBB+' rating to the Monroe County, New York's (the county) approximately \$68 million general obligation (GO) refunding bonds 2008 series A, B and C (taxable). **The bonds are general obligations of the county**, payable from an unlimited ad valorem tax pledge. The bonds are scheduled to be priced via negotiated sale on April 9, 2008. Bond proceeds will be used to refund certain outstanding bonds of the county. The bonds mature serially each Feb. 1, March 1 and June 1, 2009-2024. Fitch also affirms the unenhanced long-term rating of 'BBB+' on the county's outstanding \$454.813 million general obligation bonds. The Rating [Outlook](#) is Stable.

The 'BBB+' rating and Stable Outlook reflects positive credit considerations which include manageable debt levels and capital needs, rapid amortization rates, and a diverse economic base. **The county has implemented a comprehensive financial plan to restore structural balance to the county's budget beginning in fiscal 2008.** Most notably, the county enrolled into New York State's Medicaid Swap Program, which allows the state to intercept a fixed portion of all future county sales tax receipts in exchange for providing Medicaid program costs. Under the Program, the county no longer will make Medicaid payments to the state. **Other components of the county's financial plan include implementation of a vehicle registration fee**, a community college user fee, and a slight reduction in the county's property tax rate. Fitch considers the plan key to restoring the county's financial health and circumventing the need for one-time revenue sources to achieve balanced operations.

Offsetting credit factors center on the county's weak liquidity and financial position due to a continued high fixed-cost burden. While Fitch views the implementation of the Medicaid Swap Program as a positive step, financial pressures remain.

Monroe County's status as one of upstate New York's key economic centers continues to credit strength. The presence of several large, high quality manufacturing companies, as education and health care facilities centered in Rochester, adds to the stability of the county. The University of Rochester is the leading employer in the county. Earlier layoffs at large Eastman Kodak, Xerox Corp., and Bausch & Lomb have been largely offset by ongoing j



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and health services, as well as growth and diversification among small to medium-sized centers throughout the county.

Population growth has been largely stagnant over the last two decades, while the county's measured at 4.5% in December 2007 - has declined steadily since peaking at 5.5% in 2002, below the state and national averages. Per capita personal income is 90% of the overall state average, slightly better than other upstate urban centers and above the U.S. average.

Similar to most counties in New York State, the county's fiscal operations have been pressured in several years by rising fixed costs including annual pension obligations, health insurance costs and growing Medicaid expenditures. After restoring liquidity and general fund balance in fiscal 2005 through recurring revenue sources, the county's unreserved, undesignated general fund balance declined to an accumulated deficit of \$7.9 million in fiscal 2006 due partially to an appropriation of funds for the county's tax levy and prepay 2007 pension costs.

The county currently anticipates that for fiscal 2007 (unaudited), the unreserved, undesignated general fund balance will decline to an accumulated deficit of \$13.4 million even after implementing several cost saving measures and again utilizing additional one-time revenue sources. This deficit is due to the county's net pension liability in 2007. The county, on a budget basis, did not fully fund the net pension liability in the 2007 budget, since payment would not be due until February 2008. However, the liability was fully charged to the fund as of December 31, 2007 without corresponding revenues. Additionally, by opting in to the State's Medicaid Swap program, the county accrued less actual sales tax revenue than accrued in the prior year. For fiscal 2008, the county's enrollment into the State's Medicaid Swap program is expected to produce a budgetary savings of approximately \$28.3 million. Combined with other cost saving enhancements (expected to yield approximately \$18 million), and including the proposed reduction in the county's net pension liability, the county now forecasts structurally balanced operations for fiscal years 2008 and 2009.

While the amount of sales tax revenue shared with the county's underlying cities, towns, and villages is unchanged, Fitch notes that school districts throughout the county will instead realize a net increase in revenue under the new program. Consequently, 22 of the county's school districts recently filed a lawsuit in state Supreme Court challenging the new funding formula resulting from the Medicaid Swap program. The state Supreme Court found in the County's favor. The school districts appealed and oral argument is scheduled for February 2008. A decision is expected later this month. Fitch will monitor this matter until its conclusion.

Overall debt levels are moderate at \$2,542 per capita and 5.27% of taxable market value. The county has a rapid amortization rate of 70% in 10 years. The six-year capital improvement plan (CIP) is approximately one-third of the CIP funded with GO bonds. The balance of expected capital expenditures is funded from excess operating revenues from county enterprise funds as well as federal, state and local grants.

Fitch's rating definitions and the terms of use of such ratings are available on the agency's website at [www.fitchratings.com](http://www.fitchratings.com). Published ratings, criteria and methodologies are available from the agency's website at [www.fitchratings.com](http://www.fitchratings.com). Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, [compliance](#) and other policies and procedures are also available from the 'Code of Conduct' section of this site.

SOURCE: Fitch Ratings

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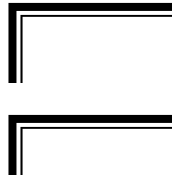
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