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Summary:
Marcy (Town Of), New York; General Obligation

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Credit Profile		
Marcy Twn GO		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services raised its underlying rating (SPUR) on Marcy, N.Y.'s general obligation (GO) debt one notch to 'A+' from 'A' based on its opinion of the town's financial practices that have allowed the town to maintain strong reserves. The outlook is stable.

The rating continues to reflect our view of the town's:

- Largely commercial property tax base, anchored by tax-exempt state institutions;
- Good income levels with residential access to the broader Utica, N.Y. and Syracuse, N.Y. employment bases;
- Maintenance of strong reserves for the combined highway and general funds; and
- Low debt burden with limited capital needs.

The bonds are a GO of the town, secured by its full faith and credit pledge.

Marcy, with a population estimate of 8,933, is in central New York State, just north of Utica (BBB+/Stable) in Oneida County (A+/Stable). The town's property tax base is 75% commercial, and it benefits from good access to U.S. Interstate 90. State facilities drive much of the town's economy: The state operates two correctional facilities, a psychiatric center, and the State University of New York Institute of Technology at Utica/Rome. The State University of New York campus has recently expanded and the inmate count at the state prisons has grown, which, in our view, appears to limit the facilities' exposure to closure as the state trims its budget. State facilities contribute to, what we consider, extremely strong property values at $186,292 per capita. State properties are tax exempt for general and highway fund purposes, but they are taxed by the townwide water and sewer districts based on assessed value under New York property law.

Household effective buying income remains, in our opinion, a good 108% of the national average while per capita effective buying income is, in our view, a low 57%. Oneida County unemployment, which averaged 7.4% in 2010, has trended below state and national rates.

The town continues to maintain what is, in our view, a very strong financial position. The general and highway funds, the town's two major operating funds, combined for a total unreserved fund balance of more than 60% of expenditures. Given the tax-exempt nature of town property, sales taxes, which the county collects and remits, are the general and highway funds' primary revenue source, accounting for 53% of revenues. Sales tax receipts have shown nominal growth over the past three fiscal years. The property tax levy, assessed on the town's nonexempt portion, also provides the highway fund with approximately 21% of revenues; management has been able to maintain the levy while reducing its tax rate in 18 of the past 19 fiscal years. The town finished fiscal 2009 with a budgeted combined $166,000 deficit; and it is projecting the same for fiscal year-end Dec. 31, 2010.

For fiscal 2011, the town's combined budget is $2.35 million, reflecting a slight decrease from fiscal 2010 and an approximately $55,000 fund balance appropriation for the general fund. So far, snow removal costs have exceeded the budget; but management is trying to offset the effect with cutbacks in other areas. Assuming full use of appropriated fund balance, the town's combined fund balance at fiscal year-end 2011 would be $1.4 million, or 60% of expenditures. The town maintains some budget flexibility in that collective bargaining units do not represent its employees and the state and separate fire districts provide public safety.

Standard & Poor's considers Marcy's financial management practices "standard" under its Financial Management Assessment (FMA) methodology, indicating the finance department maintains adequate policies in some, but not all, key areas.

The town's overall net debt burden is, in our opinion, low-to-very low at 0.5% of market value, or $917 per capita. The town follows five- to 10-year plans with respect to maintaining and replacing capital, highway, and sanitation equipment. In general, officials fund capital expenditures with bond anticipation notes, which they reauthorize and finance through the budget within the state's five-year renewal limit. Most of the town's debt outstanding is water and sewer debt, financed through a separate special district tax levy. The town's unreserved general fund balance currently exceeds its $1.1 million of GO debt outstanding. Debt service carrying charges were, in our opinion, a moderate 10% of expenditures in fiscal 2009; and amortization is, what we consider, rapid with officials planning to retire all of the town's GO debt, excluding the townwide special districts, by 2013.

Outlook

The stable outlook reflects Standard & Poor's view of the town's historically strong reserves combined with the limited nature of services provided. We believe the town will likely make the budgetary adjustments necessary to maintain its historically strong reserves. A failure to do so, however, could result in a downgrade.

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

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal 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.