

RATING ACTION COMMENTARY

Fitch Upgrades Nassau County, NY's IDR to 'AA'; Rates \$245MM GOs 'AA'; Outlook Stable

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Fitch Ratings - New York - 21 May 2024: Fitch Ratings has assigned Nassau County, NY's assigned a 'AA' to the \$245.4 million limited tax GO (LTGO) general improvement bonds, 2024 series A. The proceeds will fund various capital improvements including roads, public safety and infrastructure projects. The bonds are scheduled to price on May 29.

Fitch has also upgraded Nassau County Issuer Default Rating (IDR), unlimited tax general obligation bonds (ULTGO), limited tax general obligation and Nassau Health Care Corporation (NHCC) county-guaranteed bonds to 'AA' from 'A+'.

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕			PRIOR ↕	
Nassau County (NY) [General Government]	LT IDR	AA	Rating Outlook Stable	Upgrade	A+ Rating Outlook Positive

Nassau County (NY) /General Obligation - Limited Tax/1 LT	LT	AA Rating Outlook Stable	Upgrade	A+ Rating Outlook Positive
Nassau County (NY) /General Obligation - Unlimited Tax/1 LT	LT	AA Rating Outlook Stable	Upgrade	A+ Rating Outlook Positive

VIEW ADDITIONAL RATING DETAILS

The upgrade of Nassau County's IDR and GO bonds to 'AA' from 'A+' reflects the county's improved financial resilience as well as the implementation of Fitch's new U.S. Public Finance Local Government Rating Criteria. The 'AA' rating incorporates the county's 'a' financial resilience supported by its high midrange budgetary flexibility, continued trend of structurally balanced operations, and significantly improved fund balances since lows in fiscal 2017 and 2018.

The county has generated annual operating surpluses since 2018 as a result of improved operating performance and management's efforts to limit expenditure growth over time. The county has 'Strongest' economic and demographic attributes, which include a large population and diverse economy. The county's population growth trends are 'Weakest' compared to Fitch's rated local government portfolio, but the unemployment, educational attainment and median household income metrics composite is 'Strongest'.

The ratings also incorporate the county's strong long-term liability (LTL) metrics. Maintenance of reserves at or above current levels would result in an improved financial resilience assessment and positive rating pressure.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--An inability to maintain unrestricted general fund reserves at or above 5% of general fund expenditures and transfers out;

--A sustained approximate 65% to 75% increase in long-term liabilities and carrying costs that increases the district's long-term liability burden metrics.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--Expectations for maintenance of unrestricted general fund reserves at or above current levels of general fund expenditures and transfers out over time;

--A sustained approximate 15% to 20% reduction in long-term liabilities and carrying costs that reduces the district's long-term liability burden metrics.

SECURITY

The GO bonds carry the county's full faith and credit and taxing power, subject to a 2011 state statute limiting property tax increases to the lesser of 2% or an inflation factor (the tax cap law). This limit can be overridden annually by a 60% vote of the county legislature.

FITCH'S LOCAL GOVERNMENT RATING MODEL

The Local Government Rating Model (LGRM) generates Model Implied Ratings (MIR) which communicate the issuer's credit quality relative to Fitch's local government rating portfolio (the MIR will be the IDR except in certain circumstances explained in the applicable criteria). The MIR is expressed via a numerical value calibrated to Fitch's long-term rating scale that ranges from 10.0 or higher ('AAA'), 9.0 ('AA+'), 8.0 ('AA'), and so forth down to 1.0 ('BBB-' and below).

Model Implied Ratings reflect the combination of issuer-specific metrics and assessments to generate a Metric Profile (MP), and a structured framework to account for Additional Analytical Factors (AAFs) not captured in the Metric Profile that can either mitigate or exacerbate credit risks. AAFs are reflected in notching from the MP and are capped at +/-3 notches.

RATINGS HEADROOM & POSITIONING

Nassau County Model Implied Rating: 8.86 ('AA')

-- Metric Profile: 8.86 ('AA')

-- Net Additional Analytical Factor Notching: 0.0

Nassau County's Model Implied Rating of 8.86 is at the upper end of the 8.0 to 9.0 range for its current 'AA' rating.

The rating could see positive pressure if the county maintains unrestricted general fund reserves at or above 7.5% of general fund spending overtime.

KEY RATING DRIVERS

FINANCIAL PROFILE

Financial Resilience - 'a'

Nassau County's financial resilience is driven by the combination of its 'High' revenue control assessment and 'Midrange' expenditure control assessment, culminating in a 'High Midrange' budgetary flexibility assessment.

-- Revenue control assessment: High

-- Expenditure control assessment: Midrange

-- Budgetary flexibility assessment: High Midrange

-- Minimum fund balance for current financial resilience assessment: $\geq 5.0\%$

-- Current year fund balance to expenditure ratio: 23.2% (2022)

-- Five-year low fund balance to expenditure ratio: 5.0% Analyst Input (vs. 0.7% 2022 Actual)

Revenue Volatility - 'Midrange'

Nassau County's weakest historic three-year revenue performance has a modest negative impact on the Model Implied Rating.

The revenue volatility metric is an estimate of potential revenue volatility based on the issuer's historical experience relative to the median for the Fitch-rated local government portfolio. The metric helps to differentiate issuers by the scale of revenue loss that would have to be addressed through revenue raising, cost controls or utilization of reserves through economic cycles.

-- Lowest three-year revenue performance (based on revenues dating back to 2005): 4.1% decrease for the three-year period ending fiscal 2022

-- Median issuer decline: -4.6% (2022)

Analyst Inputs to the Model

The five -year low fund balance to expenditure was adjusted from the 0.7% low in 2018 to the county's fund balance policy to maintain reserves at 5% of normal prior-year expenditures made from the operating funds.

DEMOGRAPHIC AND ECONOMIC STRENGTH

Population Trend - 'Weakest'

Based on the median of 10-year annual percentage change in population, Nassau County's population trend is assessed as 'Weakest'.

Population trend: 0.1% 2021 median of 10-year annual percentage change in population (13th percentile)

Unemployment, Educational Attainment and MHI Level - 'Strongest'

The overall strength of Nassau County's demographic and economic level indicators (unemployment rate, educational attainment, median household income [MHI]) in 2022 are assessed as 'Strongest' on a composite basis, performing at the 84th percentile of Fitch's local government rating portfolio. This is due to relatively strong education attainment levels, median-issuer indexed adjusted MHI and unemployment rate.

-- Unemployment rate as percentage of national rate: 86.1% Analyst Input (76th percentile) (vs. 80.6% 2022), relative to the national rate of 3.6%

-- Percent of population with a bachelor's degree or higher: 47.5% (2021) (85th percentile)

-- MHI as a percent of the portfolio median: 159.6% (2021) (92nd percentile)

Economic Concentration and Population Size - 'Strongest'

Nassau County's population in 2021 was of sufficient size and the economy was sufficiently diversified to qualify for Fitch's highest overall size/diversification category.

The composite metric acts asymmetrically, with most issuers (above the 15th percentile for each metric) sufficiently diversified to minimize risks associated with small population and economic concentration. Downward effects of the metric on the Metric Profile are most pronounced for the least economically diverse issuers (in the 5th percentile for the metric or lower). The economic concentration percentage shown below is defined as the sum of the absolute deviation of the percentage of personal income by major economic sectors relative to the U.S. distribution.

-- Population size: 1,391,112 (2021) (above the 15th percentile)

-- Economic concentration: 29.1% Analyst Input (above the 15th percentile) (vs. 29.6% 2022 Actual)

Fitch Economic Concentration for county median data.

LONG TERM LIABILITY BURDEN

Long-Term Liability Burden - 'Strong'

Nassau County's liabilities to personal income and liabilities to governmental revenue remain strong while carrying costs to governmental expenditures remain midrange. The long-term liability composite metric in 2022 is at the 65th percentile,

indicating a somewhat lower liability burden relative to the Fitch local government rating portfolio.

-- Liabilities to personal income: 2.9% Analyst Input (77th percentile) (vs. 2.9% 2022 Actual)

-- Liabilities to governmental revenue: 101.8% Analyst Input (84th percentile) (vs. 103.1% 2022 Actual)

-- Carrying costs to governmental expenditures: 15.7% Analyst Input (43rd percentile) (vs. 15.3% 2022 Actual)

Analyst Inputs to the Model

Fitch adjusted liabilities to personal income, liabilities to governmental revenues and carrying costs to reflect the current issuance plus the estimated amortization of outstanding principal through fiscal 2023.

PROFILE

Nassau County, located just east of New York City, has a wealthy tax base and a population of approximately 1.4 million, which reflects modest growth since 2010. The county's economic indicators show diversity and strength, including median household above the U.S. average and unemployment rates below national rates. It reports robust growth in the healthcare sector including planned expansions from NYU Langone and Northwell Health.

The county is relatively built out, but county officials report significant new development around the Nassau Coliseum, referred to as the Nassau Hub, which includes plans for the redevelopment of 70 acres for mixed-use development. The county remains engaged in advancing the lease transfer to develop the Coliseum property despite some legal setbacks. The proposed \$6 billion development includes plans for a Sands Casino in Uniondale, NY.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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APPLICABLE CRITERIA

[U.S. Public Finance Local Government Rating Criteria \(pub. 02 Apr 2024\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

U.S. Local Government Rating Model, v1.2.0 ([1](#))

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