MOODY'S RATINGS

CREDIT OPINION

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Nassau County, NY

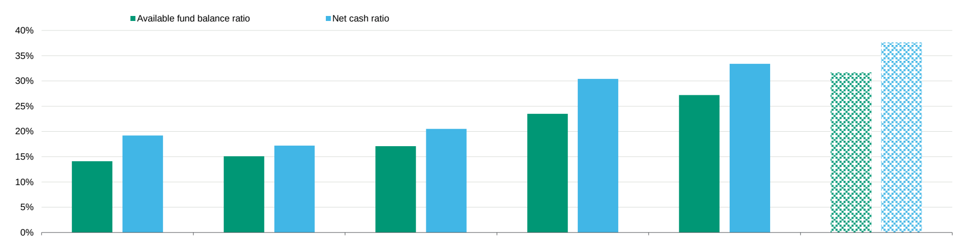
Update to credit analysis following upgrade to Aa2

Summary

Nassau County (Aa2 Stable), New York benefits from a large wealthy suburban New York City (Aa2 stable) tax base. The county's financial position improved significantly in 2021 and 2022. Fiscal 2023 will likely result in a slight draw in fund balance due to the use of nearly $300 million of surplus to eliminate outstanding liabilities reducing future costs. The 2024 fiscal year is already trending positively relative to budget. The county benefits from strong state oversight of its finances through the Nassau Interim Finance Authority (NIFA). The county's debt, which includes a significant amount of debt issued by NIFA, is manageable. The county is also exposed to debt of the Nassau Health Care Corporation (NHCC) that the county guarantees. NHCC's auditors have stated that the Corporation is a "going concern" and NIFA has stepped up its oversight of the Corporation in an attempt to avoid the need for county subsidies to support hospital operations, which it is under no legal obligation to do. Additionally, the county's OPEB liability is elevated.

Exhibit 1

Available fund balance and liquidity continue to improve



2023 is projected based off unaudited results
Source: Moody's Ratings; Audited financial statements; Nassau County, NY

On May 20, Moody's upgraded the County's issuer and GO bond ratings to Aa2 from Aa3. Outlook is stable

Credit strengths

» Strong regional economy

» Significantly improved financial operations

» Oversight provided by NIFA

Credit challenges

» Dependence on economically sensitive sales tax revenues

» Exposure to enterprise risk with financial problems at NHCC

Rating outlook

The stable outlook reflects the expectation that improved budgeting and fiscal management will stabilize reserves and financial flexibility at current recently improved level.

Factors that could lead to an upgrade

» Continued improvement in available reserves above 30% of operating revenue

» Maintenance of liquidity above 35% of revenue

» Reduction in long-term liabilities below 350% of revenues

» Decline in fixed costs ratio to below 19% of revenues

Factors that could lead to a downgrade

» Return to structurally imbalanced budgets result in a decline in reserves below 20% and/or liquidity below 30%

» Material increase in long-term liabilities above 500%

» Provision of operational support the Nassau Health Care Corporation resulting in budgetary pressure

Key indicators

Exhibit 2
Nassau (County of) NY

	2019	2020	2021	2022	Aa Medians
Economy					
Resident income ratio (%)	160.7%	159.9%	159.6%	162.1%	97.8%
Full Value ($000)	$236,228,932	$248,424,030	$211,662,461	$226,654,332	$8,736,359
Population	1,356,509	1,355,683	1,391,678	1,389,160	90,964
Full value per capita ($)	$174,145	$183,246	$152,092	$163,159	N/A
Annual Growth in Real GDP	2.1%	-3.5%	4.8%	2.5%	4.9%
Financial Performance					
Revenue ($000)	$3,522,700	$3,422,612	$3,800,110	$3,886,908	$97,580
Available fund balance ($000)	$530,893	$583,589	$892,916	$1,057,034	$43,698
Net unrestricted cash ($000)	$606,778	$702,159	$1,154,625	$1,297,637	$68,628
Available fund balance ratio (%)	15.1%	17.1%	23.5%	27.2%	43.0%
Liquidity ratio (%)	17.2%	20.5%	30.4%	33.4%	74.4%
Leverage					
Debt ($000)	$3,654,075	$3,788,798	$3,876,190	$4,293,297	$46,820
Adjusted net pension liabilities ($000)	$3,395,715	$4,338,703	$3,174,263	$2,534,266	$103,575
Adjusted net OPEB liabilities ($000)	$5,118,358	$5,825,848	$6,137,204	$5,933,247	$7,091
Other long-term liabilities ($000)	$2,224,748	$2,440,353	$2,531,599	$1,912,876	$3,981
Long-term liabilities ratio (%)	408.6%	479.0%	413.7%	377.5%	190.3%
Fixed costs					
Implied debt service ($000)	$282,618	$266,418	$271,326	$271,875	$3,257
Pension tread water contribution ($000)	$128,950	$132,996	$194,821	$143,720	$2,211
OPEB contributions ($000)	$208,822	$200,301	$192,583	$198,550	$186
Implied cost of other long-term liabilities ($000)	$160,977	$162,206	$174,760	$177,566	$282
Fixed-costs ratio (%)	22.2%	22.3%	21.9%	20.4%	7.1%

For definitions of the metrics in the table above please refer to the US Cities and Counties Methodology or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published US Cities and Counties Median Report.
The real GDP annual growth metric cited above is for the New York-Newark-Jersey City, NY-NJ-PA Metropolitan Statistical Area Metropolitan Statistical Area.
Sources: US Census Bureau, Nassau (County of) NY's financial statements and Moody's Ratings, US Bureau of Economic Analysis

Profile

Nassau County is adjacent to New York City on Long Island and has approximately 1.39 million residents (2021 American Community Survey Estimate).

Detailed credit considerations

Economy

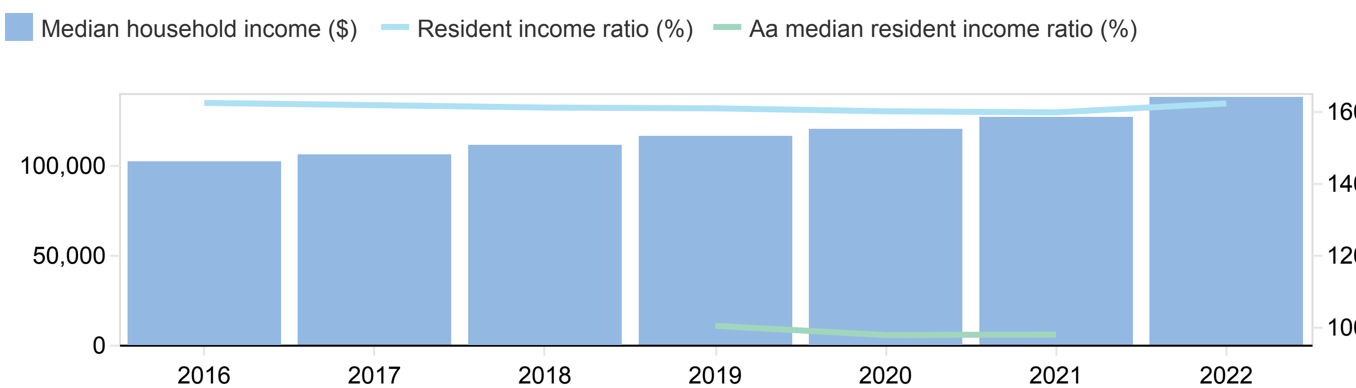
The county's very large and diverse $280 billion tax base (estimated as of 2023) benefits from its proximity to New York City. Over the past five years full value has been very volatile driven by an ongoing reassessment and valuation changes in residential properties. That said, the county's real estate market is strong and development continues with a focus on new residential development around transit hubs and reconstruction of existing housing stock. Following the previous recession, the county froze property assessments, which, combined with successful assessment appeals, pushed assessed valuations well below market values. The reassessment was intended to bring valuations back to estimated market valuation but it has once again been frozen causing the valuations to be volatile. The longer the assessments are frozen the more out of line they become relative to market value.

The county is largely built out, but management projects growth going forward due to ongoing redevelopment, including development in and around the NYCB Live Nassau Veterans Memorial Coliseum and the Belmont Racetrack. The county is repurposing the area adjacent to the Coliseum where Memorial Sloan-Kettering Cancer Center (Aa3 stable) has opened a 105,000 square foot medical center and is currently in competition to land a Sands Casino on the property. If approved, the proposed $6 billion project would bring new tax revenues to the county and Town of Hempstead (Aaa negative). As is the case for many proposed casinos, the project has faced some local opposition. The State Gaming Commission has delayed the announcement of the casino sites to late 2025 which will allow the county and Sands to restart the process following a successful lawsuit against the development. The new UBS Arena at

Belmont is part of a $1 billion project that will include 435,000 square feet of retail and dining space and a hotel. The arena, parking garage, and a new stop on the Long Island railroad are now complete. The final pieces of the project are retail and dining as well as a hotel are either currently under construction or in various stages of planning. The Belmont Racetrack is also undergoing a massive reconstruction that will bring the facility into the 21st century. As a result, the Belmont Stakes, the third leg of the horseracing's triple crown, has moved to the Saratoga Racetrack for 2024 and 2025. County management does not expect a material impact on sales tax revenues as a result of the change in venue.

The county's residential market is very strong with housing prices increasing in many communities. There is great demand for lower end properties, particularly in the county's wealthier communities. However, selling has cooled off a little, likely due to a combination of supply and demand, unrealistic listing price and/or the increase in mortgage rates. The county is focusing on transit-oriented housing opportunities to expand rental options with the goal of keeping its young, educated, work force on Long Island, which has been challenging in the past. However, many communities have been slow to embrace transit-oriented development which and the increased population and population density that it brings. Countywide resident income is very strong but varies significantly from community to community. The county's real GDP growth has trailed that of the nation, not unexpectedly. Given that the economy is mature, largely built out and has one of the largest countywide GDP's in the country, it is not likely to see the growth that other counties with more room to grow will experience.

Exhibit 3
Resident Income

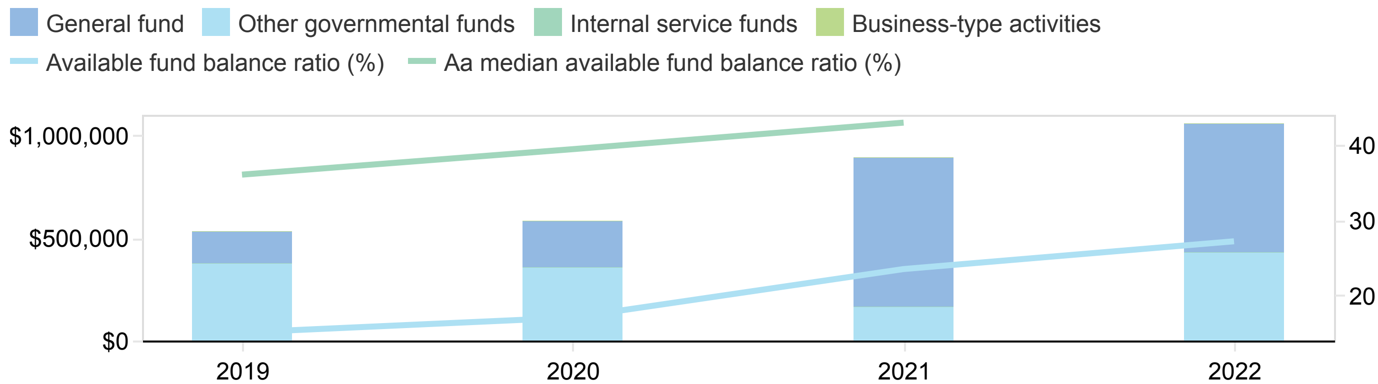


Source: Moody's Ratings

Financial operations

The improvement in the county's overall financial position and financial flexibility continues driven by conservative budgeting and strong financial oversight. Nassau County, which has historically been challenged to maintain structurally balanced operations due to its aggressive budgeting, significant dependence on economically sensitive sales tax revenues and payments for successful assessment appeals, improved its financial position to levels not seen in 20 years. Notably, sales tax revenues, historically a revenue line item for which the county budgeted aggressively, is far more conservatively estimated. Additionally, while inflation has put some pressure on county operations, it has significantly helped with the county sales tax. Some of the improvement in financial flexibility over the past two years can be attributed to one-time items including significant federal funding (the ARPA money is not included in our calculation of cash or reserves since it is restricted cash) and NIFA refunding its bonds and pushing the maturity out ten years. Positively, the county has used the reduction in NIFA debt service to eliminate some of its long-term liabilities improving annual budgetary flexibility.

Exhibit 4
Fund Balance



Source: Moody's Ratings

Management estimates that it ended fiscal 2023 with a budgetary surplus of approximately $240 million, despite keeping property tax revenues flat. The two largest drivers of the surplus were sales tax revenues coming in over budget and salary and fringe benefits coming in under budget. Management opted to use the surplus revenue, plus some reserves, to reduce long-term liabilities by an estimated $300 million. As a result, the audit will likely show a reduction in reserves of approximately $75 million. However, the reduction in long-term liabilities will further reduce future costs. In addition to the surplus, the county still has approximately $222 million of ARPA funds sitting in a restricted account. These monies will be used for revenue replacement in 2024 and will be likely be used to help reduce liabilities further. The county has been setting aside money in its reserve funds that will help to insulate it from one-time cost overruns, something that management has struggled with in years past resulting in bonding for operating expenses.

The improved financial flexibility has also allowed the county to turn an annual expense into a revenue. The county was historically a frequent issuer of cash flow notes, typically issuing multiple times a year with total issuance usually exceeding $400 million. That came with tens of millions in interest expense. Now the county is no longer issuing cash flow notes, eliminating the expense and instead earning interest income on its cash balances. Interest income for 2023 was well above budget and is conservatively budgeted for in 2024.

Year-to-date operations are trending positively to budget. Management is conservatively projecting a surplus of $2.7 million. Sales tax revenues are running better than budget year-to-date and management anticipates a favorable variance on salaries. Management is committed to maintaining reserves at current recently much improved levels going forward. These reserves, if management and the county legislature are able to maintain them, will put positive pressure on the county's credit profile.

The county's 2024-2027 multi-year financial plan projects surplus operations annually, a material change from years past when the county would be forecasting hundreds of million of dollars in gaps with speculative gap closing measures. Sales tax revenues through the forecasted period are conservatively projected, particularly given the positive variances in 2023 and year to date in 2024. Property tax revenue is also held flat through the forecast period providing additional financial flexibility if the county were to need it.

Another favorable area for county operations has been a vast improvement on how it handles property tax appeals and refunds. The Disputed Assessment Fund (DAF) has substantially lowered the county's exposure to commercial property refunds. Residential appeals are now typically completed prior to the rolls being set, thus no liability to the county. These changes have helped the county reduce its tax refund liability to under $300 million. The county anticipates it will always have at least $100 million in tax refund liabilities, but this is a far more manageable amount than the $707 million liability in 2021. Additionally, now that the financial position is far improved, management is able to budget the payment of the liability within it's operations. Going forward, management estimates an annual expense of approximately $70-100 million which will be paid partly from the operating budget and partly from the DAF.

Various component units are also taken into account in the county's rating. While most are relatively healthy, NHCC is struggling. The auditor for the Corporation recently raised doubt as to NHCC's ability to continue as a going concern. Because of its struggles and difficulties in keeping management in place, NIFA imposed a control period over NHCC in early 2020. While Nassau guarantees NHCC bonds, the corporation has historically reimbursed the county for those payments (approximately $20 million annually). However, given the hospital's financial problems, which have worsened during the pandemic, it is possible that those reimbursements are at risk. Additionally, if the financial condition of the hospital continues to worsen, it's possible that the county will feel morally obligated (as they are not legally obligated) to provide operating assistance. The county continues to work with the state to increase funding for the hospital as it is an important safety net provider for the county's low income population.

The county's primary sources of revenue are sales taxes and property taxes, which accounted for approximately 35% and 26% of operating revenues respectively on a GAAP basis (as of 2021).

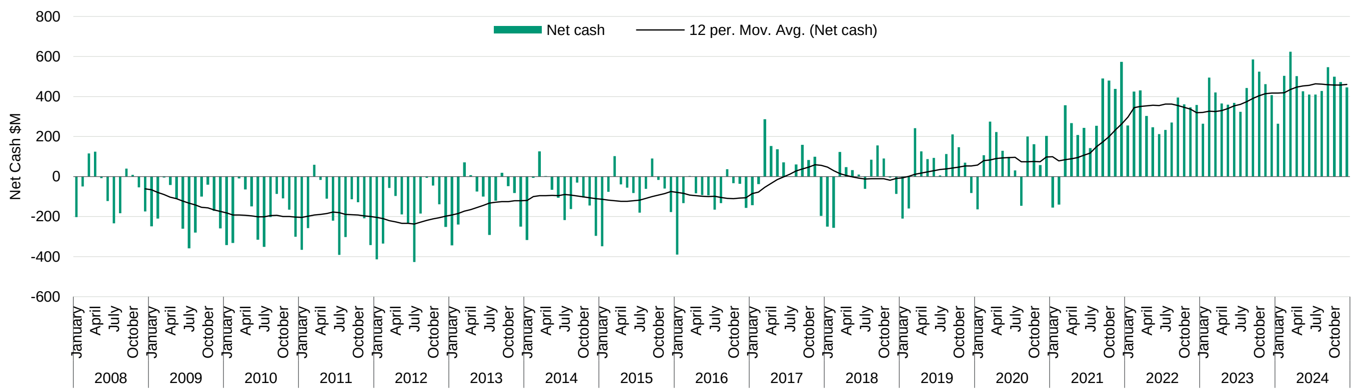
Liquidity

The county's cash position has improved substantially over the past five years and finished 2022 at nearly $1.3 billion, the highest point in well over 20 years. Despite using cash to reduce liabilities, monthly cash flow statements will remain strong and stable through 2024.

Exhibit 5

Monthly cash flow improved substantially over the last five years

Actual cash balances through March 2024; May 2024 through December 2024 are projections



Cash is net of cash flow notes. Cash is only reflective of the county's primary funds and does not include over $800 million in cash in other available funds (as of March 2024)

Source: Nassau County cash flows; Moody's Ratings

Leverage

The county's debt is elevated relative to peers as the county has a long history of issuing long-term bonds for operating expenses over $300 million of which remain outstanding. This practice has ended and future debt issuance will focus on the county's core mission, to improve county assets, create jobs and promote growth. Positively, the county's total long-term liabilities has dropped substantially in the past two years. As or the close of the 2022 audit the county had over $4.2 billion in long-term liabilities. As of March 2024, the long-term liabilities had been reduced to just over $3.1 billion (increasing to approximately $3.4 billion following the spring 2024 bond sale). The long-term liabilities outstanding includes NIFA's issuance of sales tax bonds on behalf of the county as well as the county's direct-pay guaranty on Nassau Health Care Corporation's (NHCC) Series 2009 bonds. The NIFA bonds mature in 2035. Debt service on NIFA bonds will continue to increase through 2029 when the authority's debt service will max out at $135 million. The county's financial forecast, as noted earlier, includes the increases in NIFA debt service. After 2029, debt service will decline again through 2035.

Legal security

Payment of principal and interest on the county's general obligation bonds is backed by the county's faith and credit supported by the county's authority to levy such ad valorem property taxes as may be necessary to pay the bonds, as limited by New York State's legislative cap on property taxes (Chapter 97 (Part A) of the Laws of the State of New York, 2011).

Debt structure

The county's outstanding long-term GO debt approximated $2 billion in long-term GO debt as of 30 April 2022. All of the county's direct debt is fixed rate. NIFA debt, backed by county sales tax, totals approximately $1 billion.

Debt-related derivatives

All debt is fixed rate and the county is not party to any interest rate swaps or other derivative agreements.

Pensions and OPEB

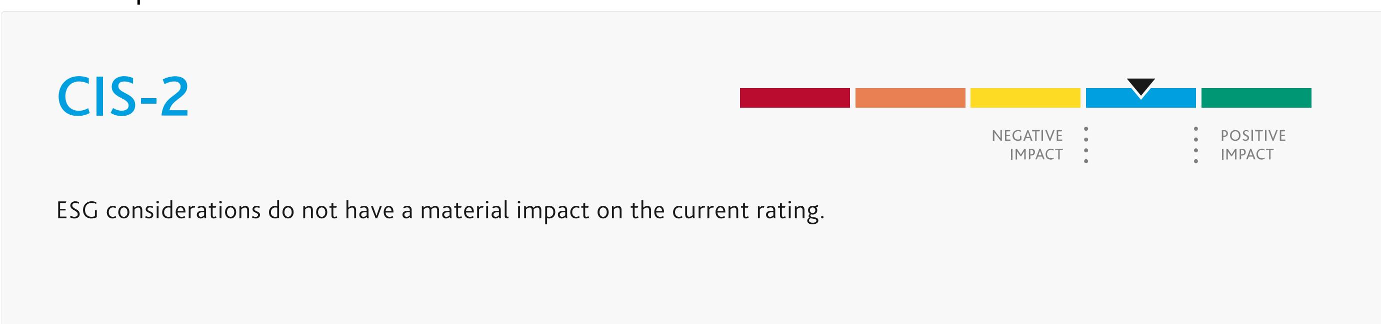
The county's pension and OPEB liabilities are likely to decline in the near-term bringing overall leverage down. Increasing discount rates being used to value the liabilities are expected to return to normal levels when the 2023 audit is released having a significantly positive impact on the liability. Additionally, pension assets are likely to be very strong when the 2023 audit is released, further pushing down the liability. Positively, the county has eliminated all of it's previous pension deferrals which has reduced the liability and eliminate an ongoing fixed cost. Fixed costs are elevated for the rating category but are likely to decline over the next two years given declines the elimination of deferral payments. However, return on assets in the state run pension plans and future escalation of OPEB costs could materially affect fixed costs going forward.

ESG considerations

Nassau (County of) NY's ESG credit impact score is CIS-2

Exhibit 6

ESG credit impact score

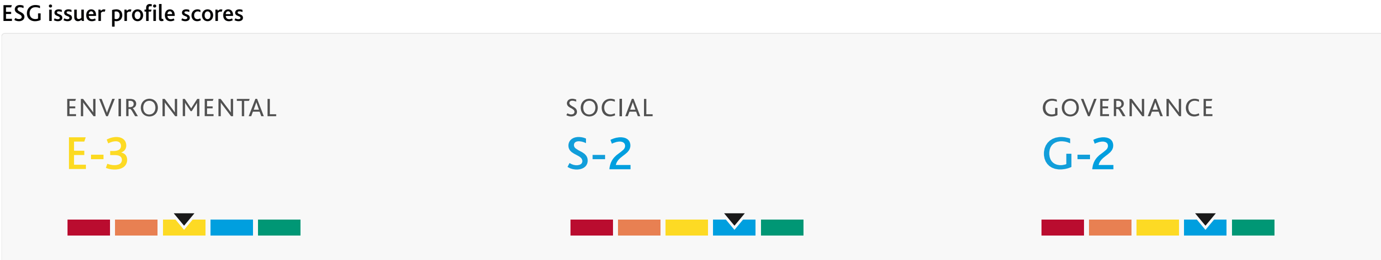


Source: Moody's Ratings

The ESG CIS impact score is a 2, reflecting moderate exposure to environmental and social risks partially offset by a favorable location. Governance is considered average given the strong oversight provided by the Nassau Interim Finance Authority (NIFA) offset by a history of imbalanced budgets.

Exhibit 7

ESG issuer profile scores



Source: Moody's Ratings

Environmental

The county's overall environmental issuer profile score is moderately-negative (**E-3**). While carbon transition, water, natural capital, and pollution risks are modest, the county is exposed to rising sea levels. Favorably, multiple levels of government are engaged in projects related to the resilience of the county's extensive shorelines to rising sea levels.

Social

Exposure to social risk is neutral-to-low (**S-2**). The county is home to some of the wealthiest communities in the nation. Overall demographics and educational attainment are strengths. Residents have easy access to basic services and the county scores favorably in health and safety.

Governance

Nassau County's average governance is reflected in a score of **G-2**. The county, in recent years, has improved its budgeting practices but still remains in a control period under NIFA. NIFA provides strong oversight of the county's operations and requires that the county publicly disclose regular updates on operations.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The US Cities and Counties Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 8
Nassau (County of) NY

	Measure	Weight	Score
Economy			
Resident income ratio	162.1%	10.0%	Aaa
Full value per capita	201,369	10.0%	Aaa
Economic growth metric	-0.4%	10.0%	Aa
Financial Performance			
Available fund balance ratio	27.2%	20.0%	Aa
Liquidity ratio	33.4%	10.0%	Aa
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	377.5%	20.0%	Baa
Fixed-costs ratio	20.4%	10.0%	Baa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa3
Assigned Rating			**Aa2**

The Economic Growth metric cited above compares the five-year CAGR of real GDP for New York-Newark-Jersey City, NY-NJ-PA Metropolitan Statistical Area Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.
Sources: US Census Bureau, Nassau (County of) NY's financial statements and Moody's Ratings

Appendix

Exhibit 9
Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
Financial performance		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
Leverage		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
Fixed costs		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Investors Service
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the US Cities and Counties Methodology .
Source: Moody's Ratings

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