

# RatingsDirect®

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## Summary:

# Nassau County, New York; General Obligation

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## Summary:

# Nassau County, New York; General Obligation

### Credit Profile

Nassau Cnty GO (AGI)		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Upgraded
Nassau County Swr & Storm Wtr Fin Auth sys rev bnds		
<i>Long Term Rating</i>	AA/Stable	Downgraded

### Credit Highlights

- S&P Global Ratings raised its long-term rating and underlying rating (SPUR) on Nassau County, N.Y.'s general obligation (GO) debt outstanding to 'AA' from 'AA-'.
- At the same time, we lowered our long-term rating on the Nassau County Sewer and Storm Water Finance Authority (the authority) sewer system revenue bonds, series 2014, to 'AA' from 'AAA' and removed it from under criteria observation.
- The outlook on all ratings is stable.
- The upgrade on the county's GO debt is based on our "Methodology For Rating U.S. Governments," published Sept. 9, 2024, on RatingsDirect and reflects strong finances and proactive budgetary management despite potential economic uncertainty on the horizon. In addition to improving reserves, the county has also done very well lowering its tax refund and legal liabilities by a significant amount, thereby boosting financial flexibility and buttressing itself against its financial vulnerabilities.
- The downgrade on the authority's sewer system revenue bonds reflects the application of our "Methodology For Rating U.S. Governments" and our "Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness" criteria (published Nov. 20, 2019). We are rating the authority's outstanding obligation at the same level as our view of Nassau County's creditworthiness given the authority's nature as a non-operating entity and the county's role in the appointment and confirmation of its governing body.

### Security

Securing the GO debt outstanding is the county's faith and credit, including the statutory authorization to levy ad valorem taxes on all real property within its borders, subject to the provisions of the 2011 tax levy limitation law, which imposes additional procedural requirements on a municipality's ability to annually increase the real property tax levy.

### Credit overview

Nassau County's long-term GO rating reflects the county's sizable and diverse economy, high residential incomes compared with the state and the nation, and stronger management practices and financial performance that have paved the way to historical levels of reserves and budgetary flexibility in fiscal 2025. The rating also reflects a manageable debt burden, although with very high unfunded other postemployment benefit (OPEB) liabilities that will lead to higher costs the longer the liability remains unaddressed. State statutes currently do not provide a mechanism

for local governments to prefund the obligation.

Nassau County's financial position continues to strengthen through reserve growth and the elimination of a significant portion of its outstanding liabilities. In total, general fund balances closed very strongly at the end of fiscal 2023 and are projected to grow by upward of \$320 million at the close of 2024. We estimate total general fund balance could increase to over \$1.2 billion, and available reserves could be as high as \$850 million, which is approximately 21% of operating revenue.

Despite a stronger financial position, we highlight that departmental receipts are coming in weaker due to the softened real estate environment and as the county's costs continue to increase. Additionally, sales taxes, which continue to outperform expectations, are the largest revenue source, and are at risk of slowing, although we note that Nassau County has done well conservatively budgeting for this revenue. Economic activity picked up in 2024 over fiscal 2023, as Nassau County gross county product (GCP) typically grows at a level at or slightly below the broader U.S. economy. Ongoing revitalization efforts throughout the county will underpin its economic performance, even as significant policy uncertainty effects our macro-economic forecasts. (See "Macro Effects Of Proposed U.S. Tariffs Are Negative All-Around," published Feb. 6, 2025.)

Additional rating factors include our view of the county's:

- Robust economic base, with GCP on a per capita basis significantly higher than the national averages. The county also has very high residential incomes compared to the state and nation, providing economic uplift to the rating. Its residents benefit from participation in the New York-Newark-Jersey City metropolitan statistical area (MSA), which provides employment stability.
- Improved financial management practices historically hampered by political gridlock. We believe the county produces realistic budgets with sufficient monitoring, provides multiyear financial and capital plans that help inform decision-making, and maintains basic reserve and debt management targets.
- Consecutive years of positive operations supported by robust sales tax performance which has significantly improved reserves and liquidity, and has allowed management to address its backlog of tax appeals.
- Manageable fixed debt burden, though with an outsized OPEB liability for U.S. counties equal to \$6.1 billion, and state statutes do not provide a mechanism for local governments to prefund the obligation.
- Our assessment of Nassau County's institutional framework which we consider predictable and transparent, although with some revenue and expenditure limitations. For more information on our assessment of New York counties, see "Institutional Framework Assessment: New York Local Governments," published Sept. 10, 2024.

### **Environmental, social, and governance**

The county's location on Long Island exposes its tax base to physical risks from extreme weather that could disrupt revenue collections in the event of a significant acute event like a hurricane or instances of chronic flooding following substantial rainfall. We view these risks similarly for many Long Island communities and believe county and regional planning efforts and adaptation infrastructure projects mitigate our near-term credit concerns. We incorporate countervailing governance structure aspects into our rating analysis; we think the statutory framework providing for the Nassau County Interim Finance Authority (NIFA) is positive, however, the inability of New York local governments to prefund their OPEB liabilities is a weakness for the portfolio. We view the county's social risks as neutral within our

credit rating analysis.

## Outlook

The stable outlook reflects our expectation that the county will maintain operating balance and keep reserves at historically high levels. This is the result of budgetary policies designed to maintain long-term structural balance, along with the county's commitment to improving reserves.

### Downside scenario

We could lower the rating if the recent positive results reverse course and management is unable to consistently maintain budgetary balance, resulting in a substantial deterioration of reserves.

### Upside scenario

We could raise the rating if the county can meaningfully lower its long-term liabilities, and sustain its improved budgetary performance and maintain reserves at strong levels.

## Credit Opinion

## Economy

With its proximity to New York City and major employment centers in surrounding Suffolk and Westchester counties as well as in Fairfield County, Conn., Nassau County serves as a wealthy bedroom community as well as a diversified economic engine with extensive access to the New York City MSA through road and rail transportation networks. The county maintains a steady mix of employers, including Memorial Sloan Kettering Hospital for Cancer and Allied Diseases and the Cohen Children's Northwell Health facilities. The largest economic development initiative includes the proposed \$6 billion Sands Casino development, that despite some legal hurdles, remains a priority for officials and would provide a significant boost to economic activity.

## Financial Performance, Reserves, and Liquidity

Our financial analysis combines the county's general, NIFA, police district, and sewer district funds into a net operating fund to calculate performance and reserves. Major operating revenue includes sales (about 45%) and property (22%) taxes based on fiscal year-end 2023 revenue.

Fiscal 2023 operating results shows a negative fund balance decline; however we note this reflected the county paying down outstanding liabilities, which we view favorably. The county no longer has any outstanding pension deferrals and has lowered its tax certiorari and general legal liabilities by an aggregate \$553 million, or 42%, since 2021. Management's focus on expenditure controls and implementation of recurring balancing solutions to cover annual tax certiorari claims with current-year revenue is an important management initiative illustrating that maintaining structural balance is the clear goal.

For fiscal 2024, the county projects a surplus of \$320 million in the general fund, buoyed by strong investment income and lower-than-budgeted expenses. As has been the case, the county intends to use the surplus to improve dedicated reserves to mitigate against ongoing tax certiorari appeals, retirement and health care contributions, and employee benefits, and again pay down outstanding liabilities.

The fiscal 2025 adopted budget is structurally balanced, totaling \$4.2 billion, and provides funding for 38 new full-time positions and for the increased costs relating to early intervention and pre-school special education. Fiscal 2025 sales tax projections (prior to NIFA set-asides) are estimated at \$1.6 billion, in line with 2024 actual receipts. We believe financial performance will remain solid even as debt service costs are projected to increase due to the strong operating margins and financial flexibility.

### Management

Previously, political gridlock with the county legislature, collective-bargaining units, underlying municipalities, and NIFA tempered management strengths. We believe these relationships with key stakeholders, particularly with the collective-bargaining units and NIFA, have improved, as is evident in the county's ability to settle several labor contracts outstanding and willingness to enlist NIFA's assistance and help close potential budget gaps and restructure debt.

In June 2000, the state legislature created NIFA, an independent oversight authority with additional powers during a control period, including the ability to approve the county's multiyear financial plan. The county has done well in instituting improved budgetary practices, and ongoing NIFA oversight of the budget, a long-term financial plan, and debt issuance continue to support improved budgeting practices and planning procedures important to credit quality. Nassau County maintains a four-year financial plan approved by NIFA, a robust four-year capital plan that includes funding sources and uses, and monthly reports on budget-to-actual results to elected officials and NIFA. Although it maintains a comprehensive debt management policy, the county views several indicators as targets rather than as hard caps. It also has an investment policy with holdings included in the annual comprehensive financial report. It maintains a fund balance target of no less than 4% and no more than 5% of prior-year expenditures on a budgetary basis in the general fund and countywide special revenue funds.

### Debt and Liabilities

The county's long-term debt outstanding (including GO bonds, sewer and stormwater bonds, and bonds issued through the state's environmental facilities corporation) as well as NIFA debt, and subscription-based IT arrangements and other capital leases totaled approximately \$3.4 billion. It regularly evaluates its capital plan, and we anticipate annual borrowing consistent with prior years. The county's exposure to additional litigation, tax certiorari, judgments, and claims, and its NHCC debt guarantee creates some speculative contingent liability risk. But with the litigation reserve created with the surplus and as the county continues eliminating and paying tax certiorari claims, we believe this risk is subsiding.

### Pension and OPEB liabilities

The county participates in well-funded pension plans; however, in our opinion, its large OPEB obligation equal to \$6.1 billion as of Dec. 31, 2023, could constrain further upward rating movement. The county is unable to prefund the obligation because of state statutes, which, given growing debt and liability costs, could create future budgetary pressures.

## Nassau County Sewer and Storm Water Finance Authority

Our rating on the authority's sewer system revenue bonds reflects the application of our "Methodology For Rating U.S. Governments" and our "Issue Credit Ratings Linked To U.S. Public Finance Obligor's Creditworthiness" criteria (published Nov. 20, 2019). We are rating the authority's outstanding obligation at the same level as our view of Nassau County's creditworthiness given the authority's nature as a non-operating entity and the county's role in the appointment and confirmation of its governing body.

The state legislature created the authority in 2003 under the Public Authorities Law with the specific and limited objective of refinancing sewer and stormwater debt outstanding issued by or on behalf of Nassau County and financing future sewer and stormwater projects. The authority employs no personnel and may not hire any, as the county (not the authority) is statutorily required to provide sewerage and storm water services.

Tax receivers in each tax-collecting jurisdiction collect and distribute the property tax assessments directly to the trustee. The sewer and stormwater assessments appear as separate line items on property tax bills and are required to be held in a segregated account while in the possession of the tax collectors. Following payment of debt service and any other limited operating costs of the authority, the county uses excess sewer assessments to pay sewer district operating expenditures.

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Nassau County, New York--Credit summary	
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Debt and liabilities	4.25

**Table 2**

Nassau County, New York--Key credit metrics				
	Most recent	2023	2022	2021
<b>Economy</b>				
Real GCP per capita % of U.S.			113	113
County PCPI % of U.S.			154	151
Market value (\$000s)		280,046,480	226,654,332	211,662,461
Market value per capita (\$)		202,696	160,022	155,956

**Table 2**

<b>Nassau County, New York--Key credit metrics (cont.)</b>				
	<b>Most recent</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Top 10 taxpayers % of taxable value		10.6	11.0	10.2
County unemployment rate (%)		3.1	2.9	4.5
Local median household EBI % of U.S.		160	160	160
Local per capita EBI % of U.S.		139	146	147
Local population		1,381,610	1,416,398	1,357,196
<b>Financial performance</b>				
Operating fund revenues (\$000s)		3,718,397	3,537,142	3,451,787
Operating fund expenditures (\$000s)		3,697,766	3,248,670	2,901,400
Net transfers and other adjustments (\$000s)		(94,877)	(54,409)	18,201
Operating result (\$000s)		(74,246)	234,063	568,588
Operating result % of revenues		(2.0)	6.6	16.5
Operating result three-year average %		7.0	9.1	8.6
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues		14.9	17.7	18.2
Available reserves (\$000s)		552,237	626,793	629,849
<b>Debt and liabilities</b>				
Debt service cost % of revenues		11.8	5.7	4.8
Net direct debt per capita (\$)	2,488	2,351	2,403	2,187
Net direct debt (\$000s)	3,438,077	3,248,705	3,403,915	2,967,785
Direct debt 10-year amortization (%)	55	56		
Pension and OPEB cost % of revenues		10.0	9.0	10.0
NPLs per capita (\$)		598	35	107
Combined NPLs (\$000s)		826,778	49,688	145,417

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

**Ratings Detail (As Of February 14, 2025)**

Nassau Cnty GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Nassau Cnty GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Nassau Cnty GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed
<i>Unenhanced Rating</i>	NR(SPUR)	
Nassau Cnty GO (AGI)		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau Cnty GO (AGI)		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed

Ratings Detail (As Of February 14, 2025) (cont.)		
Nassau Cnty GO (AGI) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau Cnty GO (AGI) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau Cnty GO (AGI) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau Cnty GO (AGI) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau Cnty GO (AGI) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau Cnty GO (AGI) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau Cnty GO (AGI) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau Cnty GO (AGI) (SECMKT) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau Cnty GO (AGI) (SECMKT) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau Cnty GO (AGI) (SECMKT) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
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Nassau Cnty GO (AGI) (SECMKT) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau Cnty GO (AGI) (SEC MKT) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau Cnty GO (AGI) (SEC MKT) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau Cnty GO (AGI) (SEC MKT) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau Cnty GO (ASSURED GTY) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau Cnty GO (BAM) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau Cnty GO (BAM) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau Cnty GO (BAM) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau Cnty GO (BAM) (SECMKT) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau Cnty GO (BAM) (SECMKT) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed



Summary: Nassau County, New York; General Obligation

Ratings Detail (As Of February 14, 2025) (cont.)

Nassau Cnty GO (BAM) (SECMKT) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau Cnty GO (BAM) (SECMKT) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau Cnty GO (BAM) (SECMKT) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau Cnty GO (BAM) (SECMKT) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
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Nassau Cnty GO (BAM) (SECMKT) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau Cnty GO (BAM) (SECMKT) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau County GO (AGI) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau County GO (BAM) (SECMKT) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Nassau County GO (BAM) (SECMKT) <i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed

**Ratings Detail (As Of February 14, 2025) (cont.)**

**Nassau Health Care Corp., New York**

Nassau County, New York

Nassau Hlth Care Corp (Nassau Cnty) GO

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Many issues are enhanced by bond insurance.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.spglobal.com/ratings](http://www.spglobal.com/ratings) for further information. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

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