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Summary:

Nassau County, New York; Note

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Credit Profile		
US$200.0 mil GO tax antic bnds ser 2015 A due 09/15/2016		
Short Term Rating	SP-1+	New

Rationale

Standard & Poor's Ratings Services has assigned its 'SP-1+' short-term rating to Nassau County, N.Y.'s series 2015A tax anticipation notes (TANs).

The rating reflects our assessment of:

- The county's general obligation (GO) pledge ('A+/Stable' GO debt rating) as security;
- Strong projected coverage at note maturity and strong historical coverage;
- An adequate note structure that provides for lump-sum note repayments deposited to a separate bank account maintained by the county treasurer; and
- Projected alternative liquidity in the county's sewer and storm water district fund and environmental bond fund at note maturities.

The county's faith and credit GO pledge secures the 2015A TANs. Nassau County is issuing the notes to provide liquidity during low cash periods in anticipation of real property tax collections for the fiscal year beginning Jan. 1, 2016. The series 2015A notes mature Sept. 15, 2016. Half of the real property taxes, which are levied annually for the fiscal year starting Jan. 1 and ending Dec. 31, are payable on Jan. 1 with the remainder due by July 1 of each year.

The note repayment structure is adequate, in our opinion. The county treasurer has established a special note bank account for the deposit of real property tax revenues and other funds. The county is required to deposit funds sufficient to redeem the notes into the repayment account. Set-aside is required when the principal amount of the notes outstanding equals the amount of revenue estimated to be received.

Nassau County regularly borrows for cash flow purposes. Total cash flow borrowing in 2015, which provides liquidity through fiscal 2016 and includes revenue anticipation notes (RANs) and TANs, is $378 million, as compared with $398 million in 2014, $433 million in 2013, and $476 million in 2012. The 2012 cash flow borrowing included a $20 million note to provide interim liquidity for clean-up costs associated with Superstorm Sandy, prior to state and federal reimbursement. Officials attribute the reduction between fiscal years 2013 and 2014 to two consecutive budgetary basis surpluses. The 2016 RAN/TAN issuance is forecasted to be the same as 2015. RAN/TAN repayments previously were made in two maturities (March/April and September/October, respectively) and are now being repaid with a single maturity date (March and September).

Projected 2016 real property tax receipts total $804.6 million, a 3.4% decrease from 2015's $833.1 million. The TANs represent 24.9% of total projected real property tax receipts in 2016 and 8% of total cash receipts. Combined TAN and

RAN issuance payable in 2016, which totals $378 million, represents 14.6% of projected cash receipts. For comparison purposes, the 2015 TANs and the 2015 combined TANs/RANs represented 9.3% and 17.6% of actual through September and October 2015 cash receipts, respectively, while the 2012 TANs and combined TANs/RANs represented 10.5% and 19.6% of actual 2013 cash receipts, respectively (but included additional borrowing in the aftermath of Superstorm Sandy).

Cash flow coverage of the TAN maturing Sept. 15, 2016, based on the proposed 2016 budget from all available operating revenues--which include general, police, debt service, and fire fund revenues--is projected to be a strong 2.01x at maturity. Additional cash in the county's liquid sewer and storm water district and environmental bond funds improve projected coverage to 2.30x at maturity. In comparison, series 2015 TAN actual coverage was 3.27x and 3.53x in September and October 2014, respectively, improving to 4.05x and 5.14x, respectively, when alternative liquidity is considered. Management had projected 3.02x and 3.14x coverage in September and October, respectively. Management had also projected 3.46x and 4.73x, respectively, with the inclusion of alternative liquidity. Assuming that management paid off the notes fully in October 2015 (rather than partially in September with the remainder in October), the actual coverage would have been 2.17x and 2.44x, respectively, when alternative liquidity is considered. We note that coverage is projected to deteriorate slightly in 2016 relative to the aforementioned 2015 actual results, mainly given the county's weak sales tax collections in 2015, should the trend continue through the remainder of the year and into 2016. However, given the strong coverage levels, we do not believe that this would have a material effect on the county's ability to repay the notes.

Related Criteria And Research

Related Criteria

- USPF Criteria: Short-Term Debt, June 15, 2007
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

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