

RatingsDirect®

Summary:

Nassau County, New York; Note

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Credit Profile

US\$120.0 mil RANs ser A due 12/07/2016

Short Term Rating

SP-1+

New

Rationale

S&P Global Ratings has assigned its 'SP-1+' short-term rating to Nassau County, N.Y.'s series 2016A revenue anticipation notes (RANs).

The rating reflects our assessment of:

- The county's general obligation (GO) pledge ('A+/Negative' 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 2016A RANs, subject to applicable statutory limitations. Nassau County is issuing the notes to provide liquidity during low cash periods in anticipation of its share of fiscal 2016's net sales tax distributions from the Nassau County Interim Finance Authority (NIFA) after payment to NIFA's bondholders and operating expenses. Sales tax revenues are distributed to the county two to three times per month.

The note repayment structure is adequate, in our opinion. The county treasurer has established a special note bank account for the deposit of sales tax revenues. 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) was \$377.0 million, as compared with \$397.8 million in 2014 and \$433.1 million in 2013. Projected fiscal 2016 borrowing (including the current issue) totals \$380 million. Historically, total cash flow borrowing decreased from 2000 through 2009, before reaching a peak of \$476 million in 2012.

The county is taking proactive steps toward better cash management with 2017 and 2018 cash flow notes outstanding not projected to exceed \$300 million and eliminating the need for the rolling of cash flow notes. This RAN is expected to be paid within six months, before the issuance of the December 2016 tax anticipation notes (TANs).

Projected 2016 sales tax receipts (including actual receipts through March), net of NIFA set asides, total \$951.9 million, a 4% increase, on a cash basis, from 2015. At the end of the first quarter, the county is projecting a \$5.1 million

budgetary basis surplus, which officials attribute to higher sales tax receipts and decreased interest expenses on debt service following refunding. The 2016 RAN issuance represents 12.6% of total projected sales tax receipts and 4.6% of total cash receipts. Total cash flow borrowing (TANs and RANs) in 2016 is projected to represent 15% of total cash receipts.

Projected cash flow coverage of the RAN that matured in March 2016 from all available operating revenues--which include general, police, debt service, and fire fund revenues--is projected to be 2.5x, and coverage of the December 2016 maturity is projected at 1.81x. In addition to operating cash, the county projects that it will have approximately \$101.2 million in its sewer and storm water district and environmental bond funds at the March 2016 maturity, and \$83.2 million at the December 2016 maturity. When this alternative liquidity is considered, projected coverage increases to 3.01x in March and 2.5x in December. In comparison, series 2015 RAN coverage was 4.14x in March 2015, improving to 4.56x, when alternative liquidity is considered.

Related Criteria And Research

Related Criteria

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

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.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on the S&P Global Ratings public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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