

RatingsDirect®

Summary:

Nassau County, Florida; Miscellaneous Tax

Primary Credit Analyst:

Hilary A Sutton, New York (1) 212-438-7093; hilary.sutton@standardandpoors.com

Secondary Contact:

Le T Quach, New York (1) 212-438-5544; le.quach@standardandpoors.com

Research Contributor:

Amit Gandhi, CRISIL Global Analytical Center, an S&P affiliate, Mumbai

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Credit Profile

Nassau Cnty GO

Unenhanced Rating

AA-(SPUR)/Stable

Upgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services raised its rating on Nassau County, Fla.'s public improvement revenue bonds to 'AA-' from 'A+' based on its recently released local GO criteria.

The county's covenant to budget and appropriate from non-ad valorem revenues secures the bonds. The rating reflects our assessment of the following factors for the county.

- We consider the county's economy to be very strong, with its projected per capita effective buying income at 111.6% of the U.S. and per capita market value of \$121,140. Nassau County is in Florida's northeastern corner, 34 miles north of Jacksonville. County unemployment rate for calendar 2012 was 7.7%. There was no taxpayer concentration as the 10 largest taxpayers accounted for just 8.1% of the tax base for fiscal 2012.
- In our opinion, the county's budgetary flexibility is adequate with available general fund reserves at 37% of expenditures and transfers out for fiscal 2012. Management expects to close fiscal 2013 and 2014 with drawdowns due to expenditures outpacing revenue. Management reports the county has made significant budget cuts recently and that it also could raise property tax revenue by about \$20 million without voter approval.
- The county's budgetary performance, in our view, has been weak, with deficits of 1% of expenditures and transfers out for the general fund in fiscal 2012, and 4.4% of expenditures for the total governmental funds. Management attributed these deficits to the use of fund balance, instead of raising property taxes, to support operations. We expect the county's budgetary performance to remain weak based on management's projected deficits for fiscal 2013 and 2014.
- Supporting the county's finances is what we consider very strong liquidity, with total government available cash exceeding 100% of total governmental fund expenditures and 15x debt service at fiscal 2012 year-end. We expect the liquidity position to remain very strong despite the projected drawdown in fiscal 2013 and 2014. Moreover, we believe that the county has exceptional access to external liquidity given its frequent issuance of various types of bonds.
- We view the county's management conditions as strong with good financial practices indicating that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials.
- In our opinion, the county's debt and contingent liability profile is very strong. Total governmental funds debt service is 6.8% of total governmental funds expenditures and net direct debt is 56.9% of total governmental funds revenue. Further bolstering our view of the county's debt profile is the low overall net debt at 0.5% of market value. The county does not plan to issue any debt in the near future. The county participates in the Florida Retirement System to provide pension benefits to its employers. It has contributed 100% of its annual required contribution (ARC) in each of the past three fiscal years. The county also provides other postemployment benefits (OPEB) on a pay-as-you-go basis. The combined pension ARC and OPEB cost was 4.6% of total governmental expenditures in

fiscal 2012.

- We consider the Institutional Framework score for Florida counties as strong.

Outlook

The stable outlook reflects our view of the county's very strong economy with access to the Jacksonville metropolitan area. The county's very strong debt profile also lends stability to the rating as does its strong management. We expect the county to maintain adequate budgetary flexibility and very strong liquidity. Should either of these metrics weaken due to structural imbalance or the use of reserves for one-time expenditures, the rating could be pressured.

Related Criteria And Research

Related Criteria

USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013

Related Research

S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

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