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S&P: Nevada's $344 Million GO Bonds Assigned 'AA' Ratings.

SAN FRANCISCO (Standard & Poor's) Oct. 6, 2015–Standard & Poor's Ratings Services assigned its 'AA' long-term rating and stable outlook to Nevada's planned approximately $334 million issue of general obligation (GO) debt. We simultaneously affirmed our 'AA' rating on Nevada's GO debt outstanding and our 'AA-' long-term rating and underlying rating (SPUR) on the state's appropriation-backed certificates of participation. The outlook on all ratings is stable.

"The state has taken steps to bring its fiscal structure into alignment," said Standard & Poor's credit analyst Gabriel Petek. "This, along with Nevada' s demonstrated commitment to adhere to its policy of achieving an ending balance equal to at least 5% of appropriations (even if it potentially fell short in fiscal 2015) helps underpin the state' s strong credit quality, in our view," added Mr. Petek. "Also adding to credit stability, in our view, is the state's recent record of good liquidity and a mechanism to prefund a significant portion of its annual debt service. In our view, these characteristics reduce the risk that an unanticipated revenue shortfall could result in strain on the state' s ability from a cash flow perspective, to fund its debt service."

The current bond offering consists of:

- $256.3 million of GO (limited-tax) capital improvement and refunding bonds, series 2015D;
- $20.94 million of GO (limited-tax) natural resources and refunding bonds, series 2015E;
- $47.1 million of GO (limited-tax) bonds (issued for Nevada Municipal Bond Bank Project Nos. 87, 88, and 89) series 2015F; and
- $10.1 million of GO (limited-tax) open space, parks, natural resources, and refunding bonds, series 2015G.

The 'AA' rating reflects our view of the state's:

- Demonstrated willingness to address budget gaps with both cuts to spending and increased revenue measures when necessary;
- Consistently good financial liquidity on both an intra- and inter-year basis;
- Good constitutional protections, which require balanced budgets and give tax preference to debt service;
- Commitment to and track record of maintaining positive ending balances;
- Nascent signs of employment diversification; and
- Low total debt relative to the state's economy and a low debt burden as a portion of the state's budget.

Partly offsetting the above strengths, in our view, are the state's:

- Depleted rainy day reserve fund, which it used during fiscal 2015 to

address a biennium operating deficit that had emerged;
- Still slow economic growth despite population growth rates above the national average; and
- Still relatively narrow economy that relies on sectors sensitive to changes in discretionary consumer spending (tourism and gaming) and those with volatile performance (construction and real estate) — although we see evidence that this has begun to change.