

# **Bond Case Briefs**

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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.