

RatingsDirect®

Summary:

Washoe County, Nevada; General Obligation

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Long Term Rating AA+/Stable Upgraded

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Long Term Rating AA+/Stable Upgraded

Credit Highlights

- S&P Global Ratings raised its long-term rating and underlying rating (SPUR) to 'AA+' from 'AA' on Washoe County, Nev.'s outstanding general obligation (GO) debt.
- The outlook is stable.
- The rating action reflects our view of the county's maintenance of its favorable reserve position and positive operations despite recent macroeconomic swings and the payout of a large litigation settlement, bolstered by our view of its continuously diversifying tax base.

Security

The county's full faith and credit secures the limited tax GO bonds, payable from all legally available funds, subject to statutory limitations on ad valorem taxation that limit the overlapping tax to no more than \$3.64 per \$100 of assessed value (AV). The current total overlapping tax rate is \$3.66, which includes 2 cents of the state rate that is exempt from the statutory limitation.

Certain of the county's outstanding limited tax GO bonds are additionally secured by 15% of all income and revenue derived by the county's consolidated tax (C-Tax) revenue. Additionally, the county's outstanding limited tax GO flood control bonds are additionally secured by a 0.125% sales tax dedicated to flood control and public safety projects. Finally, the county's limited tax GO Reno-Sparks Convention & Visitors Authority (RSCVA) bonds are additionally secured by a 2% state license tax and a 6.625% local license tax levied upon the rental of transient lodging within the county assigned to RSCVA, less certain costs of collection, as well as gross revenues derived from the operation of the convention and recreational facilities owned by the county and operated by RSCVA, net of facility maintenance and operation expenditures.

We rate each of the aforementioned bonds to the county's limited tax GO pledge, which reflects our view of the county's underlying creditworthiness. In our opinion, any limitation imposed on Washoe County's ability to raise revenue is embedded in the financial and economic conditions, and in the factors that we assess in the general creditworthiness of the county.

Credit overview

Washoe County's tax base continues to recover steadily following the pandemic-induced economic slowdown and

subsequent rapid upswing. We note that the region has made efforts to diversify its tax base and the high-tech footprint has been growing in Washoe County, with leisure and gaming representing 14% of the Reno-Sparks metropolitan statistical area's (MSA) major employment sectors, contributing to a more stable base. The recent strong real estate market has contributed to strong property value growth in recent years, as evidenced by the 30% assessed value (AV) growth during the last five years and near doubling in median home prices. Although the county is budgeting for a normalization of property values and a slowdown of economic momentum, management expects an overall moderate positive AV trend supported by continued development.

The county's primary operating revenues, including its C-tax revenue, have grown consistently during the last three years, demonstrating stability through economic cycles and a relatively diversified tax base. The stronger-than-anticipated revenue trend coupled with conservative budgetary adjustments have contributed to strong operating performance in each of the last three audited fiscal years, supporting its robust and growing available reserve position (assigned and unassigned). In fiscal 2022, the county made its first payout related to the Incline Village/Crystal Bay property tax settlement in the amount of \$11.3 million from its restricted fund balance and management expects a similar amount in fiscals 2023 and the remaining amount in 2024, for which it has already set-aside the funds in its restricted fund balance.

The fiscal 2023 budget projects a general fund drawdown, reflective of the second year of settlement payments, a discretionary transfer for capital projects, and a slowdown in C-tax collections following a stint of strong growth due to pent up demand and consumer buying power. We note that the county has historically budgeted conservatively for contingencies and outperformed its budget year-end, which we expect in the current year based on favorable year-to-date actuals. We expect the county's reserve position and overall operating profile to remain at least stable throughout the foreseeable future, supporting our view of credit quality.

The rating further reflects our view of the county's:

- Growing and diversifying tax base, which serves as the economic hub of the Reno MSA;
- Very strong financial management, with well-embedded financial policies and practices, including comprehensive five-year operating and capital plans and thorough quarterly financial reports to the governing board;
- Positive operations and expectations of maintaining at least strong budgetary flexibility and liquidity despite the budgeted drawdowns; and
- Manageable debt burden and costs, though with large pension and other postemployment benefits (OPEB) liabilities, which could inflate carrying charges in the longer-term.

Environmental, social, and governance

We analyzed both the county's and RSCVA's environmental, social, and governance (ESG) risks relative to its economy, management, financial measures, and debt-and-liability profile and consider the governance factors to be neutral within our analysis. We view the 15% population growth during the past 10 years as a social opportunity, as it provides underlying economic strength to drive employment opportunities when compared with areas of the country experiencing population stagnation or loss. Additionally, we note that the county is exposed to elevated physical risks related wildfire, drought and periodic flooding, which could curb long-term growth trends and visitation if severely

impacted.

Outlook

The stable outlook reflects our expectation that the county will maintain its very strong reserve position throughout the two-year outlook horizon and potential recessionary headwinds, supported by a steadily growing tax base and prudent financial management practices.

Downside scenario

Should the county experience a sustained operational imbalance or material negative shift in economic momentum, resulting in a significant deterioration in its financial profile, we could lower the rating.

Upside scenario

We could raise the ratings if the local tax base continues to strengthen and diversify, improving wealth and income indicators to levels we consider commensurate with those of its higher-rated peers while maintaining its positive operating performance trend.

Washoe County, Nev.: Key Credit Metrics				
	Most recent	Historical information		
		2022	2021	2020
Strong economy				
Projected per capita EBI % of U.S.	102			
Market value per capita (\$)		122,729		
Population			478,282	473,156
County unemployment rate(%)			4.3	
Market value (\$000)		58,699,235	55,270,815	52,567,924
Ten largest taxpayers % of taxable value	2.8			
Adequate budgetary performance				
Operating fund result % of expenditures		2.8	16.8	4.9
Total governmental fund result % of expenditures		10.9	13.0	3.1
Very strong budgetary flexibility				
Available reserves % of operating expenditures		34.8	36.6	19.4
Total available reserves (\$000)		148,610	127,344	69,026
Very strong liquidity				
Total government cash % of governmental fund expenditures		107	95	71
Total government cash % of governmental fund debt service		1138	2222	1538
Very strong management				
Financial Management Assessment	Strong			
Strong debt & long-term liabilities				
Debt service % of governmental fund expenditures		9.4	4.3	4.6
Net direct debt % of governmental fund revenue	21			
Overall net debt % of market value	1.4			

Washoe County, Nev.: Key Credit Metrics (cont.)

	Most recent	Historical information		
		2022	2021	2020
Direct debt 10-year amortization (%)	80			
Required pension contribution % of governmental fund expenditures		5.8		
OPEB actual contribution % of governmental fund expenditures		2.3		

Strong institutional framework

EBI--Effective buying income. OPEB--Other postemployment benefits. Data points and ratios may reflect analytical adjustments.

Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022
- Economic Outlook U.S. Q1 2023: Tipping Toward Recession, published Nov. 28, 2022

Ratings Detail (As Of April 6, 2023)

Washoe Cnty GO Ltd Tax		
<i>Long Term Rating</i>	AA+/Stable	Upgraded
Washoe Cnty GO ltd tax rfdg bnds (additionally secured by pledged rev) ser 2012B dtd 08/28/2012 due 03/01/2013 2016-2027		
<i>Long Term Rating</i>	AA+/Stable	Upgraded
Washoe Cnty GO (ltd tax) consolidated tax rfdg bnds		
<i>Long Term Rating</i>	AA+/Stable	Upgraded
Washoe Cnty GO (ltd tax) flood control rfdg bnds ser 2021 due 12/01/2035		
<i>Long Term Rating</i>	AA+/Stable	Upgraded
Washoe Cnty GO (ltd tax) pub safety rfdg bnds ser 2016B due 03/01/2036		
<i>Long Term Rating</i>	AA+/Stable	Upgraded
Reno-Sparks Convention & Visitors Auth, Nevada		
Washoe Cnty, Nevada		
Reno-Sparks Convention & Visitors Auth (Washoe Cnty) GO (ltd tax) (Washoe County) ser 2021 due 07/01/2032		
<i>Long Term Rating</i>	AA+/Stable	Upgraded

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