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Monroe County, NY GO Debt Rating Raised To 'AA-' From 'A+' On Improved Reserve Position

June 14, 2021

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NEW YORK (S&P Global Ratings) June 14, 2021--S&P Global Ratings raised its long-term and underlying (SPUR) ratings on Monroe County, N.Y.'s general obligation (GO) debt to 'AA-' from 'A+'. At the same time, S&P Global Ratings assigned its 'AA-' rating to the county's series 2021 $63.805 million public improvement serial bonds. The outlook is stable.

The 2021 public improvement bonds proceeds will finance various capital improvements in the county.

"The upgrade reflects the county's significantly improved reserve position, following several years of positive financial performance, including in fiscal 2020," said S&P Global Ratings credit analyst Felix Winnekens. We also base the upgrade on our expectation that the improved financial position will be safeguarded by the county's strengthened financial management policies and practices, including its reserve policy. Despite revenue shortfalls across economically sensitive revenue, for instance sales taxes, the county achieved surplus results in fiscal 2020 thanks to management's conservative budgeting practices and timely action following the outbreak of the COVID-19 pandemic. Early indicators point to a continuation of the positive budgetary trends in fiscal 2021, as the economic recovery drives a return in economically sensitive revenue. In addition, we expect a number of residential and commercial economic development projects will lead to ongoing tax base growth and align with our overall view of the economic recovery. (For more information on S&P Global Economics' view, see "Economic Outlook U.S. Q2 2021: Let The Good Times Roll," published March 24, 2021, on RatingsDirect.)

We have analyzed the county's environmental risks and determined that they are somewhat elevated compared with the sector standard due to flooding risk in certain sections of the county, given its location on the south shore of Lake Ontario. That said, management is undertaking a number of resiliency projects aimed at mitigating potential flooding risk. The rating also incorporates our view regarding ongoing health and safety risks posed by the pandemic, reflected in weaker economically sensitive revenue in fiscal 2020, although this is recovering strongly in fiscal 2021, especially sales tax. Absent COVID-19 implications, we consider social risks in-line with the sector standard. We view the state's governance regarding the lack of a mechanism to prefund other postemployment benefits (OPEB) as a weakness for New York local governments, though that risk is manageable for Monroe County, given its moderate liability.

We could lower the ratings if sustained budgetary pressure leads to significant drawdowns of reserves.

If Monroe County's economic metrics improved significantly and it increases reserves continuously through sustained positive operating performance, while continuing to address long-term liabilities, we could raise the rating.

RELATED RESEARCH

- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020