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Ratings

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Research Update:

Monroe County, NY Series 2025 GO Public Improvement Serial Bonds Assigned 'AA' Rating; Outlook Stable

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Overview

- S&P Global Ratings assigned its 'AA' long-term rating to Monroe County, N.Y.'s approximately $75.17 million series 2025 general obligation (GO) public improvement serial bonds.
- At the same time, we affirmed our 'AA' long-term and underlying ratings on the county's GO debt outstanding.
- The outlook is stable.

Rationale

Security

The county's faith-and-credit GO pledge, including the statutory authorization to levy ad valorem taxes on all real property within its borders, secures its GO debt. Proceeds from this issuance will fund various capital improvements across the county.

Credit highlights

Monroe County's long-term rating reflects the strength of its institutionalized financial policies and practices, stable taxing base, and low fixed costs. Upward rating movement is constrained by economic indicators below national averages and reserves that, as a percentage of revenue, lag state and national peers. However, reserves on a nominal basis of about $193 million at the close of fiscal 2024 compare favorably with peers, with stable cash flow and generally predictable revenue generation providing rating stability.

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

- Stable taxing base with local employment centered in manufacturing, higher education, and health care;
- Well-embedded financial management policies that lead to predictable financial results;

- Consistently positive financial results, leading to reserve growth we expect to continue; and
- Stable liabilities profile with low fixed-cost pressure and well-funded pensions.
- For more information on our institutional framework assessment for New York local governments, see "Institutional Framework Assessment: New York Local Governments," Sept. 10, 2024, on RatingsDirect.

Environmental, social, and governance

We view environmental and social factors as neutral within our credit analysis. Monroe County has periodic localized flooding, but we do not believe it poses a widespread risk to the tax base or county assets, although we note that the county is undertaking resiliency projects aimed at mitigating potential flooding risk. We view the state's governance regarding the lack of a mechanism to prefund other postemployment benefits (OPEB) as a governance weakness for New York local governments, though is somewhat mitigated for Monroe County, given its moderate liability.

Outlook

The stable outlook reflects our view that the county will maintain consistently balanced operations, leading to maintenance of reserves that are very high on a nominal basis and will continue to support the rating.

Downside scenario

We could lower the ratings if the county's available reserves weaken beyond current projections.

Upside scenario

If Monroe County's economic metrics improve significantly, along with further strengthening of its available reserves to levels comparable with those of higher-rated peers, we could raise the rating.

Credit Opinion

Economy

Monroe County's economic profile is stable, with material growth in taxable valuations – more than 13% in each of the last three years – and incremental population growth. The county's largest employers, the University of Rochester and Rochester Regional Health, are well embedded within the community and support interest in business relocation and expansion efforts. Officials continue efforts to diversify the workforce toward private employment, primarily in the education and medical sectors. An uncertain economic climate, particularly with regard to trade and tariff policy, could disrupt recent trends. S&P Global Market Intelligence projects that the national economy is entering a slower growth period, and, in our view, this sets the stage for a potential deceleration in revenue growth that could have near- or longer-term implications on credit quality if not met with sustainable budget adjustments. As the county has significant reliance on sales tax, rising consumer prices could pressure revenue generation, particularly given county-level income metrics that lag the national average. For more information, see our report "U.S. Economic Outlook Update: Higher Tariffs And Policy Uncertainty To Weaken Growth," May 1, 2025.

Management

Monroe County's budgeting practices provide a pathway for sustainable financial results, given its use of stress testing and scenario planning to hedge against revenue volatility. Management relies on recent trend data for budgetary assumptions, but builds in forecasting based on observable economic data and activity, among other data inputs, to fine-tune assumptions. The county legislature reviews monthly budget-to-actual reports and quarterly projections that forecast year-end results. The budget contains a two-year forecast of major revenue and expenditure items. A six-year capital improvement plan is annually updated and includes funding source details for each project.

The county adheres to a formal adopted investment policy consistent with state policy, with cash primarily invested in money market accounts; however, it does not report balances to the county legislature on a regular basis. Although Monroe County does not have a formal debt management policy that sets out quantitative targets, its financial strategy included in the budget sets out how debt should be structured and how cash should be used for capital projects. The county adopted a fund balance policy in August 2023 that stipulates it will maintain fund balance within $10 million of 10% of expenditures, to which it currently adheres.

Finances

Following significant growth in reserves to all-time highs in fiscal years 2021-2023, the county entered a multiyear plan to draw down reserves to its fund balance target. We believe the county's budget remains in balance, notwithstanding budgeted reserve usage, although weakening sales tax revenue collections through the first quarter of fiscal year 2025 could somewhat pressure operating results. To maintain balance, the county instituted a series of expenditure controls that it could lift if sales tax collections rebound throughout the year. We believe management will continue to monitor and adjust accordingly, to maintain reserve drawdowns to the budgeted amounts.

The fiscal 2024 operating result reflects the first year of the planned drawdown, although Monroe County significantly outperformed the budgeted $44.31 million reserve appropriation, with a year-end audited drawdown of about $27 million. The 2025 budget allocates nearly $31 million in reserves, and management expects to draw down roughly the budgeted allocation. However, factoring in the approximately $12.8 million in delayed purchase orders from 2024, management projects the year-end drawdown will bring reserves close to the lower end of its policy limit, or about $144 million. We project this at about 9% of general fund revenue, which, as a percentage of revenue, is lower than that of many peers; were it to fall further, the lower reserve level could pressure the rating.

The county's primary general fund revenue sources, which consist approximately of sales taxes (39%), property taxes (26%), and state aid (17%), have been predictable recently, but economic pressures could result in some sales tax collection volatility. We note that the county has a statutorily defined sales tax revenue-sharing agreement with underlying governments, to which it sends about 71% of collected sales tax. This somewhat mutes its reliance on sales tax as a revenue source within its own revenue profile, but we believe it is still subject to some volatility during periods of economic stress. In addition, the county's general fund continues to subsidize its community hospital, a nursing home; the 2024 general fund subsidy totaled $21.4 million. Management continues to work to balance the hospital's negative $56.9 million net position and eventually discontinue general fund subsidies, but we do not expect a material change in support in the near term. We believe the annual subsidy is largely immaterial to the county's expenditure profile. However, the expected reliance on Medicaid subsidies to close the deficit position, given federal policy uncertainty, introduces some risk. Furthermore, while the state caps each county's annual Medicaid contribution, material changes in Medicaid reimbursement policy could pressure the state and county to increase local share or risk significant coverage loss.

Debt

Monroe's debt issuances over the next few years may be higher than in recent years as it undertakes several large projects. However, we do not expect material change in the debt profile given the relatively low liabilities per capita and low fixed costs.

We do not view retirement liabilities as a near-term credit pressure for Monroe County due to our opinion of its currently strong plan funding and limited escalating cost trajectory risk, despite its previous use of the employer contribution stabilization program. OPEB liabilities--depending on claims volatility and medical cost and demographic trends--could lead to escalating costs, given the county's inability to prefund these costs, which we view as a potential credit pressure. However, lower OPEB liabilities on a per capita basis and relative to budget when compared to state peers is notable, as its cost trajectory is likely more affordable.

Monroe County participates in the following state-administered pension plans:

- New York State Employees' Retirement System: 99.3% funded, $164 million county proportionate share of the net pension liability (NPL)
- New York State & Local Police & Fire Retirement System: 89.7%, $2 million proportionate share of the NPL.
- Defined-benefit health care plan that provides retiree health care until death (OPEBs): 0% funded, with an OPEB liability of about $435 million, across governmental and business activities.

Monroe County, New York--Credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	1.91
Economy	2.0
Financial performance	2
Reserves and liquidity	2
Management	1.30
Debt and liabilities	2.25

Monroe County, New York--Key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	--	--	97	99
County PCPI % of U.S.	--	--	91	91
Market value ($000s)	--	64,719,823	56,909,460	50,268,951
Market value per capita ($)	--	85,796	75,443	64,787

Monroe County, New York--Key credit metrics

	Most recent	2024	2023	2022
Economy				
Top 10 taxpayers % of taxable value	--	9.1	10.3	8.9
County unemployment rate (%)	--	3.7	3.4	3.4
Local median household EBI % of U.S.	--	--	92	93
Local per capita EBI % of U.S.	--	--	96	96
Local population	--	--	754,342	775,906
Financial performance				
Operating fund revenues ($000s)	--	1,661,202	1,618,392	1,576,027
Operating fund expenditures ($000s)	--	1,593,768	1,497,560	1,384,172
Net transfers and other adjustments ($000s)	--	(94,095)	(95,796)	(78,580)
Operating result ($000s)	--	(26,661)	25,036	113,275
Operating result % of revenues	--	(1.6)	1.5	7.2
Operating result three-year average %	--	2.4	4.5	4.7
Reserves and liquidity				
Available reserves % of operating revenues	--	11.6	14.5	13.5
Available reserves ($000s)	--	193,033	234,614	212,333
Debt and liabilities				
Debt service cost % of revenues	--	3.2	3.3	3.2
Net direct debt per capita ($)	1,061	961	668	665
Net direct debt ($000s)	800,076	724,905	503,807	515,741
Direct debt 10-year amortization (%)	56	53	--	--
Pension and OPEB cost % of revenues	--	5.0	4.0	4.0
NPLs per capita ($)	--	220	591	--
Combined NPLs ($000s)	--	165,584	445,581	170

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List	
New Issue Ratings	
US$75.17 mil pub imp (serial) bnds ser 2025 due 06/01/2045	
Long Term Rating	AA/Stable
Ratings Affirmed	
Local Government	
Monroe Cnty, NY Unlimited Tax General Obligation	AA/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.