

ISSUER COMMENT

24 January 2020

RATING

General Obligation (or GO Related) ¹

Aa2 No Outlook

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Nassau County, FL

Annual Comment on Nassau County

Issuer Profile

Nassau County is located on the Atlantic Coast in northeastern Florida, bounded on the west and north by the Georgia state line. The county seat of Fernandina Beach is approximately 25 miles north of Jacksonville. The county has a population of 78,435 and a moderate population density of 120 people per square mile. The county's median family income is \$73,314 (1st quartile) and the November 2019 unemployment rate was 2.6% (2nd quartile) ². The largest industry sectors that drive the local economy are accommodation/food services, retail trade, and local government.

Credit Overview

The credit position for Nassau County is very strong and its Aa2 rating is equal to the US counties median of Aa2. The key credit factors include a robust financial position, an extensive tax base and a healthy wealth and income profile. It also reflects an exceptionally light debt burden and a somewhat elevated pension liability.

Finances: The financial position of the county is robust and is relatively strong when compared to the assigned rating of Aa2. The cash balance as a percent of operating revenues (44.6%) is slightly above the US median, and grew modestly between 2014 and 2018. Moreover, the fund balance as a percent of operating revenues (27.9%) is roughly equivalent to the US median.

Economy and Tax Base: The economy and tax base of the county are very strong overall and are slightly favorable in comparison to its Aa2 rating. The full value per capita (\$145,644) is materially above the US median, and increased significantly from 2014 to 2018. Also, the total full value (\$11.7 billion) is slightly stronger than other Moody's-rated counties nationwide. The median family income is 103.5% of the US level.

Debt and Pensions: The debt burden of Nassau County is extremely small and is favorable with respect to the assigned rating of Aa2. The net direct debt to full value (0.2%) is slightly below the US median, and remained flat from 2014 to 2018. Yet, the pension liability of the county is somewhat inflated and is quite unfavorable in comparison to its Aa2 rating. The Moody's-adjusted net pension liability to operating revenues (2.4x) is materially above the US median.

Management and Governance: Florida counties have an Institutional Framework score ³ of Aa, which is high compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. The sector's major revenue source, property taxes, are subject to a cap of 10 mills, which cannot be overridden. However, most counties are well below the cap which allows for significant revenue-

raising ability. Unpredictable revenue fluctuations tend to be moderate, or between 5-10% annually. Across the sector, fixed and mandated costs are generally less than 25% of expenditures. Florida has public sector unions, which can limit the ability to cut expenditures, although municipalities have legal ability to make changes to union contracts. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

Sector Trends - Florida Counties

Florida counties are benefiting from a much improved housing and state-wide economic recovery, which is having a positive effect on property and sales taxes, the two largest revenue sources for local governments. While residual effects of the housing crisis still are evident in the higher than average foreclosure rates in the state, home prices have steadily marched upwards since hitting bottom in 2010 because of positive in-migration. This has boosted assessed values, and therefore property taxes, for most Florida local governments, because of higher home prices and new home construction. A record number of tourists is also having a healthy impact on sales taxes.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

EXHIBIT 1

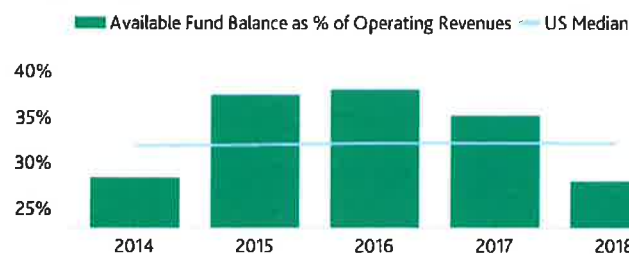
Key Indicators 4.5 Nassau County

	2014	2015	2016	2017	2018	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$9,250M	\$9,741M	\$10,411M	\$10,941M	\$11,717M	\$7,495M	Improved
Full Value Per Capita	\$123,473	\$128,376	\$134,886	\$139,492	\$145,644	\$82,836	Improved
Median Family Income (% of US Median)	98%	94%	99%	103%	103%	94%	Improved
Finances							
Available Fund Balance as % of Operating Revenues	28.3%	37.4%	37.9%	35.1%	27.9%	32.1%	Stable
Net Cash Balance as % of Operating Revenues	40.7%	46.4%	48.3%	48.3%	44.6%	36.7%	Stable
Debt / Pensions							
Net Direct Debt / Full Value	0.4%	0.4%	0.3%	0.3%	0.2%	0.5%	Stable
Net Direct Debt / Operating Revenues	0.60x	0.47x	0.43x	0.36x	0.30x	0.61x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	1.6%	1.2%	1.4%	1.6%	1.9%	1.1%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	2.36x	1.42x	1.76x	1.97x	2.40x	1.28x	Stable
	2014	2015	2016	2017	2018	US Median	
Debt and Financial Data							
Population	74,918	75,880	77,187	78,435	80,456	N/A	
Available Fund Balance (\$000s)	\$18,082	\$30,482	\$30,804	\$30,832	\$26,487	\$23,300	
Net Cash Balance (\$000s)	\$25,975	\$37,844	\$39,223	\$42,437	\$42,377	\$24,724	
Operating Revenues (\$000s)	\$63,787	\$81,572	\$81,190	\$87,913	\$94,912	\$69,726	
Net Direct Debt (\$000s)	\$38,252	\$38,389	\$35,044	\$28,058	\$28,058	\$38,387	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$150,456	\$116,180	\$142,841	\$173,437	\$227,551	\$77,659	

Source: Moody's Investors Service

EXHIBIT 2

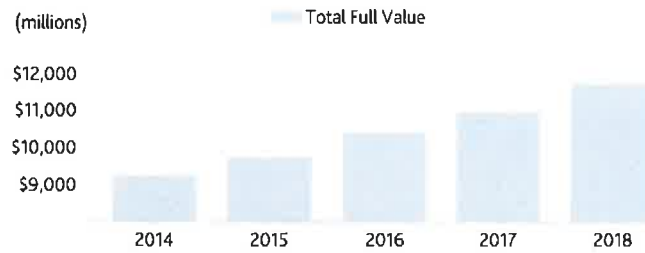
Available fund balance as a percent of operating revenues decreased from 2014 to 2018



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

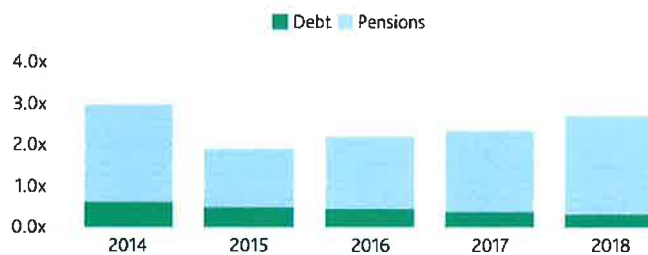
Full value of the property tax base increased from 2014 to 2018



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues increased from 2014 to 2018



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

Endnotes

- The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantees, enhancement programs or bond insurance.
- The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.

The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile.
- The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(December 2016\)](#) methodology report for more details.
- For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). Metrics represented as N/A indicate the data were not available at the time of publication.
- The medians come from our most recently published local government medians report, [Medians - Property values key to stability, but pension burdens remain a challenge \(March 2018\)](#) which is available on Moodys.com. The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

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