

Rating Action: Moody's assigns Aa2 to Nevada Series 2017 GO bonds; outlook stable

Global Credit Research - 03 Oct 2017

New York, October 03, 2017 -- Issue: General Obligation (Limited Tax) Bonds (Nevada Municipal Bond Bank Project No. 90) Series 2017D; Rating: Aa2; Rating Type: Underlying LT; Sale Amount: \$6,000,000; Expected Sale Date: 10/17/2017; Rating Description: General Obligation Limited Tax;

Issue: General Obligation (Limited Tax) Capital Improvement Bonds Series 2017A; Rating: Aa2; Rating Type: Underlying LT; Sale Amount: \$82,645,000; Expected Sale Date: 10/17/2017; Rating Description: General Obligation Limited Tax;

Issue: General Obligation (Limited Tax) Natural Resources and Refunding Bonds Series 2017B; Rating: Aa2; Rating Type: Underlying LT; Sale Amount: \$5,690,000; Expected Sale Date: 10/17/2017; Rating Description: General Obligation Limited Tax;

Issue: General Obligation (Limited Tax) Open Space, Parks, Natural Resources and Refunding Bonds Series 2017C; Rating: Aa2; Rating Type: Underlying LT; Sale Amount: \$7,710,000; Expected Sale Date: 10/17/2017; Rating Description: General Obligation Limited Tax;

Issue: General Obligation (Limited Tax) Safe Drinking Water Act Revolving Fund Matching Bonds Series 2017E; Rating: Aa2; Rating Type: Underlying LT; Sale Amount: \$5,910,000; Expected Sale Date: 10/17/2017; Rating Description: General Obligation Limited Tax;

Issue: General Obligation (Limited Tax) Water Pollution Control Revolving Fund Matching Bonds Series 2017F; Rating: Aa2; Rating Type: Underlying LT; Sale Amount: \$3,790,000; Expected Sale Date: 10/17/2017; Rating Description: General Obligation Limited Tax;

Summary Rating Rationale

Moody's Investors Service has assigned Aa2 ratings to the State of Nevada's General Obligation (Limited Tax) \$82.6 million Capital Improvement Bonds Series 2017A, \$5.7 million Natural Resources and Refunding Bonds Series 2017B, \$7.7 million Open Space, Parks, Natural Resources and Refunding Bonds Series 2017C, \$6.0 million Nevada Municipal Bond Bank Bonds Project No. 90 Series 2017D, \$5.9 million Safe Drinking Water Act Revolving Fund Matching Bonds Series 2017E and \$3.8 million Water Pollution Control Revolving Fund Matching Bonds Series 2017F.

The Aa2 rating reflects low debt levels and strong financial best practices offset by a narrow and potentially volatile economy based on gaming and tourism, and the depletion of reserves during the last recession.

Rating Outlook

The stable outlook reflects our expectation that Nevada will continue to grow faster than the rest of the nation while the US expands and that its revenues will follow suit. The outlook incorporates the potential for economic and revenue volatility due to national economic ups and downs.

Factors that Could Lead to an Upgrade

Rebuilding and maintenance of reserves at a high level

Economic development efforts result in diversity of economy and revenues

Factors that Could Lead to a Downgrade

Further deterioration in reserves

Decreased visitor volumes to Las Vegas or reduced visitor spending

Consumer shift away from gaming

Legal Security

Nevada pledges its full faith and credit to its general obligation bonds. To the extent other monies are not available, the state levies a \$0.17 per \$100 of assessed valuation property tax to pay general obligation debt service. The state may increase this levy within the state constitutional limit of \$5.00 per \$100 dollars of assessed valuation for total property taxes levied by all overlapping governments. State statute further limits the combined overlapping tax rate to \$3.64 per \$100 of assessed valuation. If this limit is exceeded, state law prioritizes the \$0.17 property tax levied to pay general obligation debt service ahead of other property taxes. Part of the state's property tax, \$0.02 per \$100, is exempt from the statutory limitation.

In addition to being secured by the state's full faith and credit, the 2017E and 2017F bonds are self-supporting. As such, the state does not expect to levy ad valorem taxes to pay debt service on these bonds.

The 2017E bonds are payable primarily and secured by a nonexclusive lien on available amounts on deposit in the Safe Drinking Water Revolving Fund consisting of amounts received from local governments as interest payments (and not principal payments) on state loans to local governments for drinking water system projects on a parity with certain other State general obligation bonds.

The 2017F Bonds are payable primarily from and secured by a nonexclusive lien on available amounts on deposit in the Water Pollution Control Revolving Fund consisting of amounts received from local governments as interest payments (and not principal payments) on state loans to local governments for wastewater treatment and pollution control projects on a parity with certain other State general obligation bonds.

Use of Proceeds

The 2017 bonds are being issued to finance various capital improvement projects and to refund certain outstanding bonds.

Obligor Profile

Nevada's population of 2.9 million in 2016 ranked 34th-largest. Its gross domestic product of \$129 billion ranked 33rd per-capita personal income of \$43,637 ranked 34th.

Methodology

The principal methodology used in this rating was US States Rating Methodology published in April 2013. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

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