

# RatingsDirect®

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## Summary:

# Saratoga County, New York; Appropriations; General Obligation

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### Credit Profile

US\$24.892 mil GO pub imp (serial) bnnds ser 2024 dtd 09/19/2024 due 09/01/2054

*Long Term Rating* AA+/Stable New

Saratoga Cnty GO

*Long Term Rating* AA+/Stable Affirmed

#### **New York Municipal Bond Bank Agency, New York**

Brookhaven Town, New York

Saratoga County, New York

New York Mun Bnd Bank Agy (Saratoga Cnty, Brookhaven Twn) GO

*Long Term Rating* AA+/Stable Affirmed

#### **Saratoga County, New York**

Saratoga County, New York

Saratoga County Water Authority, New York

Saratoga Cnty (Saratoga Cnty Wtr Auth) wtr sys rfdg rev bnnds (Saratoga Cnty Wtr Auth) ser 2016 due 09/01/2048

*Long Term Rating* AA/Stable Affirmed

### Credit Highlights

- S&P Global Ratings assigned its 'AA+' long-term rating to Saratoga County, N.Y.'s \$24.892 million series 2024 general obligation (GO) bonds.
- At the same time, S&P Global Ratings affirmed its 'AA+' rating on the county's existing GO debt, its 'AA' rating on Saratoga County Water Authority, N.Y.'s water system revenue bonds, which are ultimately supported by Saratoga County's general fund pledge, subject to appropriation, through a service agreement with the authority, as well as its 'AA+' rating on the New York Municipal Bond Bank Agency's series 2009A recovery act bonds, reflecting a weak-link approach based on the participants' GO pledge as security for principal and interest payments.
- The outlook is stable.

### Security

The county's GO debt is secured by its faith and credit pledge, including the statutory authorization to levy ad valorem taxes on all real property within its borders. Officials plan to use the approximately \$26 million in bond proceeds to permanently finance a \$24 million portion of the \$52 million bond anticipation notes (BANs) outstanding that mature on Sept. 20, 2024, and were issued to fund sewer system improvements. The bonds will also provide \$1.8 million of new money for the same purpose. Saratoga County is also issuing \$20.9 million series 2024 bond anticipation notes (BANs) that will be used to rollover a portion of the \$52 million BANs outstanding. We have not been asked to rate the series 2024 BANs.

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The rating on the New York Municipal Bond Bank Agency's series 2009A recovery act bonds reflects a weak-link approach based on the participants' GO pledge as security for principal and interest payments. Saratoga County and the town of Brookhaven are the only two participants. These pledges represent multiple revenue streams where each revenue stream pays only a portion of debt service and neither the county nor the town is obligated to make a payment for the other, so there is no step-up provision.

The rating on the water system revenue bonds reflects the county's obligation to meet debt service payments, if necessary, with general fund revenues as required by the service agreement entered into between the authority and Saratoga County. The payments are unconditional unless the authority fails to provide potable water service. We rate the bonds based on the county's general creditworthiness and our criteria, "Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness" (published Nov. 20, 2019). We rate the obligations one notch below the county GO rating to reflect the appropriation risk associated with payments.

### Credit overview

Our view of Saratoga County's credit profile is supported by the county's very strong and diversified economy, low debt levels, and limited pressure from its pension and other postemployment benefit (OPEB) liabilities. Saratoga County continues to experience significant economic growth with its population rising by more than 6% over the past decade, well above the state's growth rate. The county's strong economic growth supports robust revenue growth over the past few years as well as strong overall budgetary performance. In particular, economically sensitive revenues, such as sales taxes, which make up roughly half of the county's general fund and that we believe can show some fluctuation based on economic trends, continue to perform well above budget.

For fiscal 2023, according to unaudited actual results, Saratoga County experienced strong sales tax growth, and had significantly higher-than-expected interest revenue earnings, while expenses generally came in at or below budget. As a result, the county ended the year with a surplus of \$18.5 million, increasing available general fund reserves to \$77 million, equal to nearly 24% of expenses, and total reserves to \$117.5 million, equal to nearly 34% of expenses. Management indicates its major revenue and expense line items are on track for fiscal 2024 and that the county expects to end the year with breakeven operations. Furthermore, we understand the county will have expended or committed all of its \$44 million in American Rescue Plan Act funds by the end of fiscal 2024, which have been used to fund emergency service upgrades, communication upgrades, and sewer projects.

Saratoga County's direct debt obligations and overall fixed costs remain very low. In addition, we understand there are no material additional bonding plans over the next couple of fiscal years. Furthermore, retirement costs are highly affordable in our view relative to budget.

The 'AA+' GO rating on Saratoga County also reflects our assessment of the following credit factors:

- A diversified and robust economy, with ongoing broad-based growth and proximity to the wider Albany region; a strong institutional framework score in addition to strong management practices with a range of well-established financial policies, including historically conservative budgeting practices with consistent year-end positive variances, monthly and quarterly budget-to-actual financial reports; maintenance of a formalized five-year capital improvement plan, updated annually, with funding identified for projects in the first year; a formalized fund balance policy stating reserves should equal 5%-15% of appropriated expenditures; and a recently amended formal

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investment policy. However, currently, the county does not maintain a formalized long-term financial plan or a formal debt policy.

- A history of balanced financial operations, with continued strong growth in economically sensitive revenue sources, resulting in the maintenance of very strong reserves.
- Limited pressure from fixed costs thanks to a very strong debt profile and low retirement costs, notwithstanding a somewhat elevated unfunded OPEB liability. County employees participate in the New York State Employees' Retirement System, which is nearly fully funded, and maintains a pension liability of \$24 million, while the county's net OPEB liability stands at \$313 million.

### Environmental, social, and governance

We have assessed Saratoga County's environmental, social, and governance factors and overall view them as being in line with those of the sector. However, we think the county's ongoing population growth, if sustained, could present a social opportunity. In addition, while we could consider environmental risks to be somewhat elevated given the county's location along the Hudson River, we view them as manageable given that Saratoga County contributes to the Hudson River-Black River Regulating District, which mitigates risks of flooding caused by excess runoff. Lastly, while the county's governance risks are generally in line with the sector standard, we view, similar to other local governments in New York State, the inability to prefund growing OPEB liabilities as a potential governance weakness.

## Outlook

The stable outlook reflects the county's consistently strong financial performance backed by a robust economy that continues to broaden.

### Downside scenario

Although unlikely in our view, if Saratoga County's financial performance were to experience sustained deterioration, leading to significant reductions in reserves, we could consider a negative rating action.

### Upside scenario

We could consider a positive rating action if the county's economic metrics were to improve to levels more commensurate with those of higher-rated peers, while Saratoga County maintained very strong available reserves and reducing its OPEB liability.

### Saratoga County, New York--Key credit metrics

	Most recent	Historical information		
		2023	2022	2021
<b>Very strong economy</b>				
Projected per capita EBI % of U.S.	133			
Market value per capita (\$)	158,472	140,988	123,881	126,064
Population (no.)		238,767	242,847	230,929
County unemployment rate(%)		2.9	2.7	3.9
Market value (\$000)	37,837,843	33,663,326	30,084,119	29,111,722
Ten largest taxpayers % of taxable value	4.4			

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### Saratoga County, New York--Key credit metrics (cont.)

	Most recent	Historical information		
		2023	2022	2021
<b>Strong budgetary performance</b>				
Operating fund result % of expenditures		4.4	6.4	14.6
Total governmental fund result % of expenditures		5.5	6.3	13.9
<b>Very strong budgetary flexibility</b>				
Available reserves % of operating expenditures		23.7	24.8	27.6
Total available reserves (\$000)		77,406	75,259	78,357
<b>Very strong liquidity</b>				
Total government cash % of governmental fund expenditures		46	57	45
Total government cash % of governmental fund debt service		3,515	7,223	5,320
<b>Strong management</b>				
Financial Management Assessment		Good		
<b>Very strong debt &amp; long-term liabilities</b>				
Debt service % of governmental fund expenditures		1.3	0.8	0.8
Net direct debt % of governmental fund revenue		26		
Overall net debt % of market value		1.0		
Direct debt 10-year amortization (%)		37		
Required pension contribution % of governmental fund expenditures		3.5		
OPEB actual contribution % of governmental fund expenditures		0		
<b>Strong institutional framework</b>				

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

### Related Research

- 2023 Update Of Institutional Framework For U.S. Local Governments, Nov. 28, 2023
- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019
- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

### Ratings Detail (As Of August 27, 2024)

Saratoga Cnty Wtr Auth wtr syst rev rfdg bnds ser 2021 dtd 12/08/2021 due 09/01/2034

*Long Term Rating* AA/Stable Affirmed

#### **Saratoga County Water Authority, New York**

Saratoga County, New York

Saratoga Cnty Wtr Auth (Saratoga Cnty)

*Long Term Rating* AA/Stable Affirmed

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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.spglobal.com/ratings](http://www.spglobal.com/ratings) for further information. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

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