S&P Global
Ratings

RatingsDirect®

Summary:

Las Vegas Convention & Visitors Authority, Nevada
Clark County
Pima County Industrial Development Authority; Appropriations; General Obligation; Special Assessments

Primary Credit Analyst:
Michael Parker, Centennial 303-721-4701; michael.parker@spglobal.com

Secondary Contact:
Jenny Poree, San Francisco (1) 415-371-5044; jenny.poree@spglobal.com

Table Of Contents

Summary:

Las Vegas Convention & Visitors Authority, Nevada
Clark County
Pima County Industrial Development Authority; Appropriations; General Obligation; Special Assessments

Credit Profile		
US$126.155 mil GO (ltd tax) (Clark Cnty) ser 2017C due 07/01/2038		
Long Term Rating	AA+/Stable	New
Clark Cnty GO		
Long Term Rating	AA+/Stable	Affirmed

Rationale

S&P Global Ratings assigned its 'AA+' long-term rating to Clark County, Nev.'s series 2017C limited-tax general obligation (GO) crossover refunding bonds, issued by the Las Vegas Convention & Visitors Authority. At the same time, S&P Global Ratings affirmed its 'AA' long-term rating on Pima County Industrial Development Authority, Ariz.'s lease revenue bonds, supported by the county. In addition, S&P Global Ratings affirmed its 'AA+' long-term rating and underlying rating (SPUR) on the county's existing GO debt, issued either by Clark County or on its behalf. The outlook on all ratings is stable.

The series 2017C bonds are a general obligation of the county, ultimately secured by its full-faith-and-credit-property-tax pledge, subject to a statutory limit on overlapping debt of $3.64 per $100 of assessed value (AV). Providing additional security to the series 2017C bonds is pledged revenue, which includes proceeds from hotel room taxes levied in Clark County and cities within the county, including Las Vegas, and net operating revenue from various authority facilities, including the Las Vegas Convention Center and other recreational facilities under the authority's jurisdiction. County officials will use the series 2017C bond proceeds to advance crossover refund the county's series 2010C GO limited-tax bonds. The interest on the 2017C bonds due prior to July 1, 2020, will be paid through funds in an escrow account established pursuant to the escrow agreement. The proceeds in the escrow fund will be invested in noncallable federal securities. We note that the county's full-faith-and-credit-property-tax pledge will secure the series 2017C bonds before and after July 1, 2020.

During the 2017 calendar year, the Clark County Special Improvement District No. 112 and No. 158 issued local improvement bonds, which ultimately reflect our view of the county's GO pledge. The bonds are secured by special assessments within the districts, and the county levies the assessments and is required to deposit, when collected, into bond funds. Should assessments within the districts be insufficient for debt service, the bonds are also secured by the county's general fund and a property tax pledge on all property within the county, subject to a statutory limit on overlapping debt of $3.64 per $100 of AV. Although the county's full-faith-and-credit is not explicitly pledged to these bonds, we view the ability to levy property taxes on all property within the county equivalent to a general obligation of the county.

The county's GO bonds outstanding are secured by its full-faith-and-credit-property-tax pledge, subject to a statutory limit on overlapping debt of $3.64 per $100 of AV. The limited-tax GO (flood control) bonds are additionally secured by the county's one-quarter-percent sales-and-use tax for the benefit of the Clark County Regional Flood Control District. The limited-tax GO (airport system revenues) bonds are additionally secured by a third lien on net revenue of the county's airport system, which includes McCarran International Airport. However, we rate the county's GO bonds based on the GO pledge, which we view as the stronger pledge.

The Pima County Industrial Development Authority, Ariz.'s series 2008 lease revenue bonds, issued on behalf of Clark County, Nev.'s detention facility project, are payable from lease payments made by Clark County, subject to annual appropriation. The rating on the lease revenue bonds is one notch lower than the county GO rating, in accordance with our criteria, to reflect the appropriation risk associated with appropriation-backed obligations.

The 'AA+' ratings further reflect our opinion of the county's:

- Strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Very strong management, with strong financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Adequate budgetary performance, with operating results that we expect could deteriorate in the near term relative to fiscal 2016, which closed with operating surpluses in the general fund and at the total governmental fund level;
- Strong budgetary flexibility, with an available fund balance that we expect will decrease in the near term from its fiscal 2016 level of 17% of operating expenditures;
- Very strong liquidity, with total government available cash at 107.1% of total governmental fund expenditures and 14.1x governmental debt service, and access to external liquidity we consider exceptional;
- Strong debt and contingent liability position, with debt service carrying charges at 7.6% of expenditures and net direct debt that is 80.4% of total governmental fund revenue, as well as low overall net debt at less than 3% of market value; and
- Strong institutional framework score.

Strong economy

We consider the county's economy strong. Clark County, with an estimated population of 2.2 million, is located in the Las Vegas-Henderson-Paradise, Nev. MSA, which we consider to be broad and diverse. The county has a projected per capita effective buying income of 91.0% of the national level and per capita market value of $102,517. Overall, the county's market value grew by 5.8% over the past year to $225.4 billion in 2018. The county unemployment rate was 5.8% in 2016.

Clark County covers over 8,000 square miles in southern Nevada. Several of the state's largest cities, such as Las Vegas and Henderson, are within county boundaries. The county is home to the majority of Nevada residents, holding approximately 73% of the state's total population. The county's population has been stable, growing by about 1% to

2% annually during the previous six years and by 2.3% year-over-year in 2016. Population projections from the State Demographer are estimating additional growth of 1.5% during 2017. AV for 2017 is 7.7% higher than 2016, at $74.6 billion. Preliminary AV for 2018 is $78.9 billion, or 5.8% growth from 2017. The county's employment gains have increased steadily in recent years, and as of August 2017, the county unemployment rate was 5.2%, which was just above the state rate (4.9%) and the national average (4.4%) during that time.

Despite the county's heavy reliance on the region's leisure and hospitality industries, the employment base within Clark County has gradually diversified in recent years. In 2015, the leisure and hospitality industries fell below 30% of Clark County's employment base. Moreover, economic indicators critical to the county's economy--including room rates, visitor volume, passenger counts, and gaming revenue--continue to show strength and improvement. Visitor volume reached a record high of 42.9 million in 2016, an increase of 1.5% from 2015, which was also a record year. Taxable sales in the county, a significant indicator given the importance of consolidated taxes to the revenue base, rose 7.0% in 2015 and 4.7% in 2016. The housing market also continues to improve, as demonstrated by notable foreclosure decreases, home price stabilization, and broad economic improvement. We also consider the county's tax base diverse, with the leading 10 taxpayers accounting for 15.0% of total AV. We note that seven of the top 10 property tax contributors are hotels/casinos companies. There are several large-scale projects currently under construction or in the planning stages that will contribute to county's already large tax base in the coming years.

Very strong management

We view the county's management as very strong, with strong financial policies and practices under our FMA methodology, indicating financial practices are strong, well embedded, and likely sustainable.

We believe the county's strong financial management is reflected in its formalized policies and practices. The county utilizes internal trend analysis and external information to make revenue and expenditure assumptions and takes into account current trends that may affect future results. While management intends to maintain reserves at no less than 8% of expenditures, as mandated by its policy, it prefers to keep reserves in excess of the 10% target it has adhered to historically. Excess budgetary savings are transferred to the capital account to ensure prudent levels of pay-go. Management provides the board of commissioners with reports on investment holdings and budget-to-actuals performance annually. In addition, the county updates its five-year operational forecast and capital plan annually and integrates the capital plan into the operating budget. Also, the county's board of commissioners has adopted thorough policies concerning investment practices and debt and derivative use.

Adequate budgetary performance

Clark County's budgetary performance is adequate in our opinion. The county had operating surpluses of 2.2% of expenditures in the general fund and of 4.0% across all governmental funds in fiscal 2016. Our assessment accounts for the fact that we expect budgetary results could deteriorate somewhat from 2016 results in the near term. General fund operating results of the county have been stable over the last three years, with a result of 0.6% in 2015 and a result of 3.0% in 2014.

We have adjusted general fund expenditures upward for recurring transfers out that we believe function like ongoing expenditures, including transfers to the Las Vegas Metropolitan Police fund, internal service funds, and the University Medical Center of Southern Nevada (UMC). In 2016, the county received 4% higher revenue compared to 2015, largely due to growth in property and consolidated tax collections. Consolidated taxes are collected by the state and distributed to local governments and are composed primarily of sales taxes, but also include cigarette tax, liquor tax, real property transfer tax, and governmental services tax. In 2016, consolidated taxes and property taxes generated 36% and 28% of general fund revenue, respectively. As with other Nevada counties, the main general fund revenue source is the consolidated tax, and large changes in consolidated taxes indicate trends in local and statewide visitor volume and tourist spending. Revenue from licenses and permits also made up a significant amount of the county's revenue profile in 2016, accounting for 24% of overall revenue.

Management attributes the stable budget results in recent years to conservative and comprehensive budgeting, which includes budgeting at full staffing levels all year round, even when many positions remain vacant. The county is also budgeting for any unforeseen events related to health care changes at the federal level. Health care changes in recent years have had positive effects on the county's expenditures year-over-year. Due to the expansion of Medicaid under the Affordable Care Act (ACA), payments from the county to UMC for indigent care have decreased. Furthermore, recent legislative changes now allow for additional funding sources for intergovernmental transfers to UMC, which the county has utilized in order to realize savings in the general fund. The county's fiscal 2017 financial estimates include a general fund deficit equal to 5% of expenditures (after transfers). The county has historically performed better than budgeted, and management expects the same for fiscal 2017. Officials note that consolidated taxes came in roughly 3% higher than originally budgeted, and the county ended the year with expenditure savings from positions remaining vacant and no significant federal changes to the ACA. In addition, UMC did not need any form of operating subsidy in 2017, although we note that the county still made approximately $31 million in transfers for capital to UMC. Despite the better-than-anticipated ending performance, available reserves are expected to fall to levels we consider strong.

Although it's still early in the 2018 fiscal year, the county is experiencing good revenue growth from fiscal year-to-date collections, according to officials. In July, the first month of fiscal 2018, the county's consolidated tax revenue was up 4.1% from the same time in 2017. In addition, the county expects to receive roughly $4 million from marijuana tax collections during the 2018 fiscal year, an amount not originally budgeted for. In November 2016, Nevada voters approved a ballot measure legalizing the adult use of marijuana. The Nevada Department of Taxation began collecting marijuana taxes in July of 2017, and the department reported approximately $3.7 million in tax revenue during that one month. We note that the county is still budgeting for a modest deficit in fiscal 2018. The county settled with its largest employee bargaining unit (represents over 5,000 county employees) in July of 2017. Within the agreement, the county agreed to 2% salary increases, which is expected to raise the county's salary expenses by roughly $9 million during fiscal 2018. Moreover, the county did not account for the 2% increase in the original fiscal 2018 budget. County officials stated that the increase in expenses should be offset by budgeting for full employment, which typically does not occur.

On Oct. 1, 2017, the largest mass shooting in U.S. history took place on the Las Vegas Strip, killing 59 people and injuring hundreds more. A national tragedy can often have lasting budgetary impacts for the responding local governments. Clark County, in particular, provides the majority of public safety within Las Vegas. Within the general fund, some of the county's public safety expenditures include the Office of the Sheriff, the Fire Department, Volunteer Fire and Ambulance Services, and Family Services. In addition, the Las Vegas Metropolitan Police Department's revenues and expenditures are included within the county's total governmental funds. According to officials, the county has budgeted for approximately $3 million in overtime costs for the Las Vegas Metropolitan Police Department so far, and that figure is expected to rise. The county expects to see the majority of budget impact through the fire and ambulance response, but cannot compute the costs at this time. Management also established a Victim Response Committee and Resiliency Center, which opened on Oct. 23, to assist victims and their families for the next several years. County officials indicated that the response is still ongoing, largely in the form of a greater police presence throughout Las Vegas, including additional security for hotels.

Although the full impact of the tragedy is difficult to quantify at this time, management does not anticipate the response to have an overwhelming effect on the fiscal 2018 budget. To help mitigate the entire fiscal impact, the county is actively applying for several state and federal grants, such as the Antiterrorism and Emergency Assistance Program grant. However, the county does not expect to see any grant assistance for at least 12 to 18 months.

S&P Global Ratings believes that Clark County is in a favorable financial position to handle the ongoing response of this tragedy. Although we anticipate general fund transfers to the Las Vegas Metropolitan Police fund and to the UMC to rise during the fiscal 2018 year, we do not expect any significant deterioration of the county's general fund performance. We presume the county will receive at least some grant support, but we do not believe the county is reliant on federal or state funds to balance the budget in the near term.

Strong budgetary flexibility

Clark County's budgetary flexibility is strong, in our view, with an available fund balance that we expect could decrease in the near term from its fiscal 2016 level of 17% of operating expenditures, or $253.5 million.

Our calculation of available fund balance combines assigned and unassigned portions of the general fund balance. The county's reserves increased in fiscal 2016 due to the operating surplus of 2.2% of expenditures in the general fund. The county's fiscal 2017 general fund estimates include a drawdown, and we expect fund balances to fall to levels we consider strong. Despite the anticipated decline, we project the county will remain well within its policy minimum of 8% of expenditures.

Very strong liquidity

In our opinion, Clark County's liquidity is very strong, with total government available cash at 107.1% of total governmental fund expenditures and 14.1x governmental debt service in 2016. In our view, the county has exceptional access to external liquidity if necessary.

The county has strong market access features and ongoing disclosure practices and has issued bonds frequently during the past 15 years, including GO, revenue, and sales tax bonds. We do not consider the county's investments aggressive, as it invests primarily in U.S. Treasuries and U.S. agencies. We do not expect that liquidity will weaken over the next several years.

Strong debt and contingent liability profile

In our view, Clark County's debt and contingent liability profile is strong. Total governmental fund debt service is 7.6% of total governmental fund expenditures, and net direct debt is 80.4% of total governmental fund revenue. Overall net debt is low at 2.2% of market value, which is in our view a positive credit factor.

Our calculation of net direct debt excludes self-supporting revenue obligations. We note the county's debt portfolio also includes fixed-rate, directly placed GO bonds. We understand there are no provisions in the bonds' agreements that permit acceleration or payment prioritization to holders of the direct-purchase debt. The county regularly appropriates funds to the capital projects fund. In fiscal 2017, county transfers are expected to total $67 million. In 2007, the county entered in a long-term lease agreement for a detention facility that extends 30 years from commencement. The monthly base rent was $945,660 and is subject to a 6% increase every 24 months. The county has termination rights each fiscal year and the option to purchase at a future date, and the board of commissioners has directed management to notify the lessor of the county's intent to exercise the purchase option on March 1, 2018. On March 28, 2017, the National Football League (NFL) owners approved the move of the Oakland Raiders to Las Vegas. Many of the entities involved in the move, including Clark County in Nevada, made preparations for several months leading up to the NFL owners' decision. Currently, the NFL stadium is projected to cost roughly $1.9 billion, and Clark County is responsible for up to $750 million to help construct the stadium. According to management, the county anticipates issuing roughly $700 million of GO debt in the next year. According to management, the GO bonds would be additionally secured by the proceeds of a dedicated room tax imposed upon hotel rentals located within the county, as approved in a special legislative session in the fall. There could be additional infrastructure and operational costs associated with the stadium; management reports that the expected additional costs will be funded through a recently approved additional sales tax (for public safety) and state funding for transportation improvements. Furthermore, the county expects to issue $300 million in debt related to the transportation improvements to the Las Vegas Strip resort corridor in 2018. Despite the significant medium-term debt plans within the next two years, it is our view that Clark County's debt and contingent liability profile would be manageable.

Clark County's combined required pension and actual other postemployment benefit (OPEB) contributions totaled 11.9% of total governmental fund expenditures in 2016. Of that amount, 11.0% represented required contributions to pension obligations, and 0.9% represented OPEB payments. The county made its full annual required pension contribution in 2016.

The county contributes to the Public Employees Retirement System of the State of Nevada (PERS), a cost-sharing, multiemployer, noncontributory, defined benefit public employee retirement plan administered by PERS to provide retirement benefits, death benefits, and disability benefits to their beneficiaries. The county made its full annual required pension contribution in 2016, and the PERS plan was 75% funded as of June 30, 2016. We note that related entities, the expenditures of which are not accounted for as part of the county's governmental expenditures, fund a portion of the pension contributions. Clark County and its component units provide OPEBs to retirees through five benefit plans, and the county addresses these OPEB costs through pay-as-you-go financing. We understand that the county established a separate trust fund in fiscal 2014, and combined trust assets totaled $90 million in fiscal 2016. Although we consider the county's overall pension and OPEB obligation relatively large, the funded ratio and carrying charges have improved in recent years, largely due to the state increasing contribution rates and the county overfunding OPEB benefits through a separate trust.

On Oct. 19 2017, the board of Nevada PERS voted to lower the assumed investment (discount rate) over the next several years. Although the full scale of changes are still unknown, we expect that pension contributions may increase in the near term. Being that pension carrying charges totaled 11% of total governmental fund expenditures in 2016, we will continue to monitor the impact these changes may have on the county's expenditure profile. Should the contribution changes increase the county's already elevated pension carrying charges, the county's debt profile could weaken.

Strong institutional framework

The institutional framework score for Nevada counties is strong.

Outlook

The stable outlook reflects our view of the county's stable economy with participation in the Las Vegas-Henderson-Paradise MSA. The stable outlook also reflects our view of the county's strong financial policies and practices and stable overall financial position. Strong economic activity has continued to fuel the steady revenue growth in recent years. We do not expect to change the ratings within the two-year outlook horizon.

Downside scenario

If the county is unable to achieve operational balance for multiple years, resulting in reserves falling below strong levels, and if near-term debt issuances or pension increases weaken the county's debt profile significantly, we could consider lowering the ratings.

Upside scenario

We could raise the ratings if the county's key economic indicators improve to levels comparable with those of higher-rated peers.

Related Research

2017 Update Of Institutional Framework For U.S. Local Governments

Ratings Detail (As Of December 5, 2017)		
Clark Cnty ltd tax GO bnds (Arpt rfdg) ser 2013B dtd 04/02/2013 due 07/01/2033		
Long Term Rating	AA+/Stable	Affirmed
Clark Cnty ltd tax GO bnd bank rfdg bnds ser 2012 dtd 06/20/2012 due 06/01/2016 2029-2032		
Long Term Rating	AA+/Stable	Affirmed
Clark Cnty ltd tax GO flood cntrl rfdg bnds ser 2015 due 11/01/2036		
Long Term Rating	AA+/Stable	Affirmed
Clark Cnty CLARK CNTY LTD TAX GO DR & FLOOD CTL SER 84 DTD 12-1-84		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
Clark Cnty GO ltd tax flood cntrl rfdg bnds (rfdg 1998 Flood Control Bnds) ser 2010 dtd 07/13/2010 due 11/01/2016-2018		
Long Term Rating	AA+/Stable	Affirmed
Clark Cnty GO ltd tax transp bnds (Taxable Direct Pay Babs) ser 2009B1 dtd 06/23/2009 due 06/01/2010-2024 2029		
Long Term Rating	AA+/Stable	Affirmed
Clark Cnty GO Lmtd Tax bnds (Tax Exempt Flood Control Bnds) ser 2009A due 11/01/2038		
Long Term Rating	AA+/Stable	Affirmed

Ratings Detail (As Of December 5, 2017) (cont.)		
Clark Cnty GO Lmtd Tax Transportation bnds (Tax-Exempt) ser 2009B-2		
Long Term Rating	AA+/Stable	Affirmed
Clark Cnty GO Lmtd Tax (Las Vegas Convention & Visitors Auth Transp Bnds) ser 2008 dtd 08/19/2008 due 07/01/2009-2029 2034 2038		
Long Term Rating	AA+/Stable	Affirmed
Clark Cnty GO (ltd tax) arpt bnds ser 2003B dtd 05/29/2003 due 07/01/2022-2024		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
Clark Cnty GO (ltd tax) bond bank rfdg bnds		
Long Term Rating	AA+/Stable	Affirmed
Clark Cnty GO (ltd tax) flood control bnds ser 2013 due 11/01/2039		
Long Term Rating	AA+/Stable	Affirmed
Clark Cnty GO (Lmtd Tax) pub facs rfdg bnds ser 2007B dtd 05/24/2007 due 06/01/2014-2019		
Long Term Rating	AA+/Stable	Affirmed
Clark Cnty GO (Lmtd Tax) Arpt Bnds		
Long Term Rating	AA+/A-1+/Stable	Affirmed
Clark Cnty Lmtd Tax GO bnds (Bond Bank Bonds) ser 2008 dtd 07/02/2008 due 06/01/2011-2030 2033 2038		
Long Term Rating	AA+/Stable	Affirmed
Clark Cnty Spl Imp Dist No. 112 local imp rfdg bnds ser 2017 due 08/01/2037		
Long Term Rating	AA+/Stable	Affirmed
Clark Cnty Spl Imp Dist No. 158 local imp bnds ser 2017 due 08/01/2037		
Long Term Rating	AA+/Stable	Affirmed
Clark Cnty GO		
Long Term Rating	AA+/Stable	Affirmed
Clark Cnty GO		
Long Term Rating	AA+/Stable	Affirmed
Clark Cnty GO		
Long Term Rating	AA+/Stable	Affirmed
Clark Cnty GO		
Long Term Rating	AA+/Stable	Affirmed
Clark Cnty GO		
Long Term Rating	AA+/Stable	Affirmed
Clark Cnty GO		
Long Term Rating	AA+/Stable	Affirmed
Clark Cnty go		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
Clark Cnty GO		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
Clark Cnty District Nos. 135 and 144C, Nevada		
Clark Cnty, Nevada		

Ratings Detail (As Of December 5, 2017) (cont.)		
Clark Cnty District Nos. 135 and 144C (Clark Cnty) GO		
Long Term Rating	AA+/Stable	Affirmed
Las Vegas Convention & Visitors Auth, Nevada		
Clark Cnty, Nevada		
Las Vegas Convention & Visitors Auth (Clark Cnty) GO		
Long Term Rating	AA+/Stable	Affirmed
Las Vegas Convention & Visitors Auth (Clark Cnty) GO (ltd tax) LV Conv & Vis Auth transp bnds (BABs)		
Long Term Rating	AA+/Stable	Affirmed
Las Vegas Convention & Visitors Auth (Clark Cnty) GO (Lmt Tax) LV conv & Vis auth transp bnds (BABs) ser 2010A dtd 01/26/2010 due 07/01/2030 2038		
Long Term Rating	AA+/Stable	Affirmed
Las Vegas Convention & Visitors Auth (Clark Cnty) GO (Lmt Tax) LV conv & Vis auth transp & rfdg bnds ser 2010B dtd 01/26/2010 due 07/01/2011-2026		
Long Term Rating	AA+/Stable	Affirmed
Pima Cnty Indl Dev Auth, Arizona		
Clark Cnty, Nevada		
Pima Cnty Indl Dev Auth (Clark Cnty) APPROP		
Long Term Rating	AA/Stable	Affirmed

Many issues are enhanced by bond insurance.

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.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.