

Rating Action: Moody's Assigns Aa2 to St. Mary's County, MD's 2016 GO Bonds; Revises Outlook to Positive

Global Credit Research - 28 Jun 2016

New York, June 28, 2016 -- Issue: Consolidated Public Improvement Bonds, Series 2016; Rating: Aa2; Rating Type: Underlying LT; Sale Amount: \$25,000,000; Expected Sale Date: 07/26/2016; Rating Description: General Obligation

Summary Rating Rationale

Moody's Investors Service has assigned a Aa2 rating to St. Mary's County, MD's \$25 million Consolidated Public Improvement Bonds, Series 2016. Concurrently, Moody's has affirmed the Aa2 rating on the county's \$32.6 million of general obligation (GO) debt outstanding. The outlook is positive.

The Aa2 rating incorporates the county's sizeable and stable tax base that is anchored by the Naval Air Station Patuxent River (NAS Pax River), above-average resident wealth levels, healthy reserves and liquidity supported by formal fiscal policies, and low debt and pension burdens.

Rating Outlook

The positive outlook reflects the county's stable technology-based local economy that will likely continue to experience growth, given further development within the technology sector as well as other industries. The positive outlook additionally incorporates the county's plan to rebuild reserves given a change from cash-funding pay-go capital projects to issuing debt. Despite future additional debt plans, debt levels are expected to remain low.

Factors that Could Lead to an Upgrade

Increase in reserves resulting from reduction of pay-go capital projects

Continued tax base growth

Factors that Could Lead to a Downgrade

Trend of operating deficits and declining reserve levels

Deterioration of tax base and socioeconomic profile

Legal Security

The bonds are secured by the county's absolute and unconditional ad valorem tax pledge.

Use of Proceeds

Proceeds from the 2016 GO bonds will primarily finance road, public safety, and public school improvements, as well as other various capital projects.

Obligor Profile

St. Mary's County covers an area of 764 square miles and is located on a peninsula in southern Maryland with over 500 miles of shoreline. The county has a population of approximately 111,000.

Methodology

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Ratings Methodologies page on www.moody.com for a copy of this methodology.

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