

Research Update:

St. Mary's County, MD Series 2026 GO Consolidated Public Improvement Bonds Rated 'AA+'; Outlook Stable

July 31, 2026

Overview

- S&P Global Ratings assigned its 'AA+' rating to [St. Mary's County](#), Maryland's roughly \$61.5 million series 2026 general obligation (GO) consolidated public improvement bonds.
- At the same time, S&P Global Ratings affirmed its 'AA+' rating on the county's existing GO debt.
- The outlook is stable.

Rationale

Security

The bonds are a GO of St. Mary's County, secured by the county's full-faith-and-credit pledge. Proceeds from this issue will fund various general government capital projects.

Credit highlights

St. Mary's County's general creditworthiness is characterized by a history of strong financial operations and reserves, supported by a durable local economy that benefits from its access to employment markets surrounding Washington D.C. as well as from a strong management team that maintains conservative budgeting and a comprehensive set of formalized financial policies.

St. Mary's County is located in southern Maryland about 40 miles southeast of Washington D.C. The local economy benefits from a number of stabilizing institutions, highlighted by Naval Air Station Patuxent River, a military installation with nearly 22,300 employees, contractors, and military personnel. The installation's heavy involvement in defense and aerospace research and development supports, in our view, higher county income levels compared with those of the U.S. We believe the significant defense presence also insulates the county to some degree from broader federal workforce cuts affecting the region.

The county maintains sound financial operations, including strong available general fund reserves, despite large capital outlays averaging nearly \$12 million annually over the last five fiscal years. Income taxes account for approximately 46% of total general fund revenue in fiscal

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2025, followed by property taxes at 40%, with both sources showing consistent growth over the past five years. Fiscal 2025 ended with a \$9.7 million increase to reserves due to good revenue growth, a reduction in pay-go capital spending, and an increase in its income tax rate of two tenths to 3.2% effective Jan. 1, 2025, to help fund increased county and school operating expenses. Available reserves remained robust at \$86.5 million, or 25.9% of operating revenues.

For fiscal 2026, the county budgeted the use of \$11.5 million for non-recurring expenses. The tax rate remained unchanged at \$0.8478 per \$100 of assessed value, which is below average compared with that of peers. In addition, the county's income tax rate of 3.2% remains slightly below the maximum allowed under state law (3.3%), providing some additional revenue flexibility. Because of a sizable positive revenue and expense variances, the county anticipates a surplus at year-end, potentially as high as \$15.5 million. As a result, we anticipate the county maintaining its robust reserves at fiscal year-end.

We understand there are no material changes to the fiscal 2027 budget. Management appropriated \$18.9 million of available reserves for one-time capital spending. Nevertheless, given the county's history of positive variances and conservative budgeting, as well as an increase to the income tax rate in the previous year providing additional revenues that the county can grow into, we expect performance will remain sound.

We view St. Mary's County's debt levels as low. Following this issuance, we calculate that the county will have roughly \$242 million in direct tax-supported debt. Its six-year capital improvement plan (CIP; 2027-2032) totals \$478 million, a little less than half of which management expects to fund with additional debt issuances. We estimate that St. Mary's County could issue \$25 million to \$30 million of new-money GO debt each year over the six-year CIP to finance various capital needs. Despite the expected issuances, we do not expect this plan will materially weaken the county's debt and liability factor score given its amortization of existing debt as well as its formalized debt policies.

The rating also reflects St. Mary's County's:

- Stable, durable local economy located on a peninsula in southern Maryland and bounded by the Patuxent River, Chesapeake Bay, and the Potomac River, with good tax base growth, particularly in Leonardtown, the county seat and sole overlapping municipality in the county. The Naval Air Station Patuxent River (Pax River) is St. Mary's County's largest employer and anchors the area economy, fostering employment growth in defense, engineering, and technology.
- Balanced financial operations that we expect to continue in fiscal 2026 and beyond, backed by steady income and property tax revenue, as well as reserves maintained well above policy levels.
- Comprehensive set of formalized financial policies and practices that, combined with conservative budgeting and solid long-term financial and capital planning, underpin the county's strong financial performance and robust reserves.
- Low overall net debt, with manageable capital improvement needs and retirement costs. Pension liabilities total \$44.8 million and \$38.9 million relating to the county's participation in the Maryland State Retirement System and the county's Sheriff's Office Retirement Plan, respectively. Additionally, the county maintains a length of service program (\$5.3 million liability) and an other postemployment benefit (OPEB) liability of \$18.2 million. The school board, which is a component unit of the county, maintains an OPEB liability of \$166 million. Although we do not directly factor the school board's OPEB liability into the county's debt-

and-liabilities metrics, we note the county indirectly pays for a portion of this liability through school funding.

- Some exposure to natural hazards, including flooding, severe weather, and coastal flooding given the county’s location along the Potomac and Patuxent rivers and Chesapeake Bay. However, we believe these risks are mitigated by the county’s array of formalized policies and plans, including: an adopted multijurisdictional hazard mitigation plan, an Emergency Operations Plan, and a Nuisance Flooding Plan.
- Generally stable and predictable state operating environment (for more information on our institutional framework assessment for Maryland municipalities, see "[Institutional Framework Assessment: Maryland Local Governments](#)," Sept. 9, 2024).

Outlook

The stable outlook reflects our opinion that the county will maintain its strong financial operations and very strong reserves given its conservative budgeting practices, well-embedded fiscal policies, and diverse economic base.

Downside scenario

If the county were to experience significant fiscal pressures and its reserves were used to bridge any imbalances over a prolonged period, without a plan to restore, we could lower the rating.

Upside scenario

If St. Mary's County were to experience material improvement in its economic metrics to a level more commensurate with higher-rated peers', while holding all other factor scores constant, we could raise the rating.

St. Mary’s County, Maryland--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	1.62
Economy	1.5
Financial performance	2
Reserves and liquidity	1
Management	1.35
Debt and liabilities	2.25

St. Mary’s County, Maryland--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	--	--	106	106
County PCPI % of U.S.	--	--	100	100
Market value (\$000s)	17,050,928	15,300,432	14,563,580	14,076,664

St. Mary's County, Maryland--key credit metrics

	Most recent	2025	2024	2023
Market value per capita (\$)	146,816	131,743	125,399	122,089
Top 10 taxpayers % of taxable value	--	3.8	4.1	4.0
County unemployment rate (%)	--	3.4	2.9	2.1
Local median household EBI % of U.S.	--	--	139	126
Local per capita EBI % of U.S.	--	--	122	114
Local population	116,138	--	116,138	115,299
Financial performance				
Operating fund revenues (\$000s)	--	334,089	314,872	293,411
Operating fund expenditures (\$000s)	--	326,107	310,688	280,630
Net transfers and other adjustments (\$000s)	--	1,698	(4,684)	(24,187)
Operating result (\$000s)	--	9,680	(500)	(11,406)
Operating result % of revenues	--	2.9	(0.2)	(3.9)
Operating result three-year average %	--	(0.4)	(1.0)	1.6
Reserves and liquidity				
Available reserves % of operating revenues	--	25.9	24.4	26.4
Available reserves (\$000s)	--	86,475	76,720	77,326
Debt and liabilities				
Debt service cost % of revenues	--	4.3	4.5	4.2
Net direct debt per capita (\$)	2,078	1,636	1,466	1,279
Net direct debt (\$000s)	241,281	190,033	170,303	147,437
Direct debt 10-year amortization (%)	49	56	56	--
Pension and OPEB cost % of revenues	--	6.0	6.0	6.0
NPLs per capita (\$)	--	766	766	714
Combined NPLs (\$000s)	--	88,934	88,934	82,286

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List

New Issue Ratings	
US\$61,500,000 St. Mary's County, Maryland, Consolidated Public Improvement Bonds, Series 2026, dated: Date of delivery, due: August 15, 2046	
Long Term Rating	AA+/Stable
Ratings Affirmed	
Local Government	
St Marys Cnty, MD Unlimited Tax General Obligation	AA+/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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