

RatingsDirect®

Summary:

Carroll County, Maryland; General Obligation

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Carroll County, Maryland; General Obligation

Credit Profile

US\$30.0 mil GO pub imp bnds of 2023 ser 2023 due 11/01/2043

Long Term Rating

AAA/Stable

New

Credit Highlights

- S&P Global Ratings assigned its 'AAA' rating to Carroll County Commissioners, Md.'s \$30 million series 2023 public improvement general obligation (GO) bonds, issued for Carroll County.
- At the same time, we affirmed our 'AAA' rating on the county's existing GO debt.
- The outlook is stable.

Security

The county's full faith and credit pledge secures the bonds.

Officials will use series 2023 bond proceeds to fund various capital projects.

Credit overview

The 'AAA' rating reflects the county's diversified and growing economy, track record of strong financial results, and very strong reserves underpinned by conservative budgeting and very robust financial management policies and practices. Significant future capital and borrowing needs are mitigated by ongoing cash-funding of capital projects, well-established debt management guidelines, and limited pressure from pension and other postemployment benefits (OPEB).

Current and new employers spur Carroll County's economic expansion. The county's highly educated workforce and efforts to foster workforce development through the Carroll County Workforce Development, a county-run development center, continue to draw in new employers. In the past year, new investments of more than \$570 million have been announced or completed, ranging from manufacturing and retail expansion to mixed-use developments and business and technology parks. Despite the very strong economic development, the county emphasizes preservation of agricultural land and green space, which supports its tourism sector.

Carroll County's track record of strong and stable operations continued in fiscal 2023. Unaudited results show a fifth consecutive surplus and the maintenance of very strong reserves despite a planned use of \$42 million in fund balance. Key drivers for the fiscal 2023 surplus were the county's conservative budgeting, including a line item for contingencies, alongside better-than-budgeted income tax and interest income. The fiscal 2024 budget includes an 8.3% increase in the general fund and a \$30 million fund balance use for various one-time capital projects, while assumptions remain conservative. The county is transitioning to a combined professional fire and emergency medical services force, which will eventually entail approximately 240 positions and requires \$18.4 million in net new funding by fiscal 2025. This transition is fully incorporated in the county's long-term financial plan. Given Carroll's track record

and ongoing expansion of the tax base, we expect performance will remain strong. Moreover, the county has additional revenue-raising flexibility and could potentially cut back on future OPEB contributions, given the plan is currently overfunded.

Following this issuance, the county has approximately \$310 million in net direct debt outstanding. Its six-year capital improvement plan includes annual issuances of up to \$53 million and a gradual increase in nominal debt outstanding. Given continued tax base growth, the county will remain in compliance with its debt policy and we do not expect the current plan will affect our view of the debt profile. Besides the overfunded OPEB plan, the county's pension plans remain well funded and carrying charges are low. Carroll has a line of credit with a local bank for up to \$12 million in secured debt for a county airport-related project, from which it had drawn \$4.8 million at the end of fiscal 2023 and expects to draw only \$8 million. We do not consider this line of credit a contingent liquidity risk.

The rating also reflects the county's:

- Very strong economy underpinned by expansions of existing and new employers, a broad range of industries encompassing manufacturing, pharmaceutical, and aerospace and defense, and announced and completed investments in the past year of more than \$150 million on the commercial/industrial side and \$418 million in land development, supported by the county's favorable location and well-educated workforce;
- Very strong financial management team, with comprehensive and robust financial management policies and practices, including long-term capital and financial plans; formalized debt, investment, and reserve policies; regular reporting; and operating under a very strong institutional framework;
- Recurring surplus results since fiscal 2019, including in fiscal 2023, supporting maintenance of very strong reserves with no plans to spend them down; and
- Limited fixed cost pressure despite future borrowing plans, thanks to proactive debt management and strong pension and OPEB management.

Environmental, social, and governance

We have analyzed Carroll County's environmental, social, and governance factors and consider them neutral in our credit analysis. Although the county faces occasional inland flooding, it has taken active measures through stormwater and floodplain management to mitigate risks.

Outlook

The stable outlook reflects our view of Carroll County's strong and expanding economy and stable budgetary performance, with very strong reserves thanks to very strong financial management policies and practices.

Downside scenario

Although we do not expect this to occur, we could lower the rating if budgetary flexibility were to decrease significantly due to prolonged weak budgetary performance.

Ratings above the sovereign

Carroll County's GO bonds are eligible to be rated above the sovereign because we think the county can maintain better credit characteristics than the nation in a stress scenario. Under our criteria, "Ratings Above The

Sovereign--Corporate And Government Ratings: Methodology And Assumptions," published Nov. 19, 2013, the county has a predominantly locally derived revenue source with about two-thirds of governmental activity revenue derived from property taxes, with independent taxing authority and treasury management from the federal government.

Carroll County, Maryland -- key credit metrics				
	Most recent	Historical information		
		2023	2022	2021
Very strong economy				
Projected per capita EBI % of U.S.	122			
Market value per capita (\$)		131,358		
Population			173,488	168,757
County unemployment rate(%)			2.7	
Market value (\$000)		22,789,036	22,010,187	21,344,811
Ten largest taxpayers % of taxable value	2.6			
Strong budgetary performance				
Operating fund result % of expenditures		1.5	2.7	10.8
Total governmental fund result % of expenditures		9.1	5.1	9.7
Very strong budgetary flexibility				
Available reserves % of operating expenditures		28.2	29.5	28.0
Total available reserves (\$000)		133,727	129,118	114,042
Very strong liquidity				
Total government cash % of governmental fund expenditures		57	50	47
Total government cash % of governmental fund debt service		864	769	643
Very strong management				
Financial Management Assessment	Strong			
Very strong debt & long-term liabilities				
Debt service % of governmental fund expenditures		6.6	6.5	7.3
Net direct debt % of governmental fund revenue	57			
Overall net debt % of market value	1.6			
Direct debt 10-year amortization (%)	73			
Required pension contribution % of governmental fund expenditures		0.9		
OPEB actual contribution % of governmental fund expenditures		2.5		
Very strong institutional framework				

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

Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022
- 2022 Update Of Institutional Framework For U.S. Local Governments

Ratings Detail (As Of November 6, 2023)

Carroll Cnty		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

Carroll County Commissioners, Maryland

Carroll County, Maryland

Carroll Cnty Commissioners (Carroll Cnty) cons pub imp & rfdg bnds (Carroll Cnty) ser 2019A due 11/01/2039

<i>Long Term Rating</i>	AAA/Stable	Affirmed
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Carroll Cnty Commissioners (Carroll Cnty) taxable rfdg bnds (Carroll Cnty) ser 2019B due 11/01/2033

<i>Long Term Rating</i>	AAA/Stable	Affirmed
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