

St. Mary's County, Maryland

The 'AAA' rating reflects analysis under Fitch Ratings' U.S. Public Finance Local Government Rating Criteria. The county's 'Strongest' demographic and economic level metrics, particularly its high median household income (MHI) and low unemployment rate relative to the national benchmark, are the key drivers of the rating. Another key driver is the county's long-term liability (LTL) burden assessed at 'Strong' relative to Fitch's local government rating portfolio.

The county's financial resilience assessment of 'aaa' is supported by 'Ample' budgetary flexibility, underpinned by broad revenue-raising powers, and an expectation that unrestricted general fund reserves (sum of committed, assigned and unassigned) will be maintained at least equal to or above 7.5% of spending (the minimum level for a 'aaa' assessment given its budgetary flexibility). The county has historically maintained unrestricted reserves compliant with its 15% fund balance policy, and fiscal YE 2024 unrestricted general fund reserves equaled 24.0% of spending. These strengths are tempered by a 'Weak' population trend and high economic concentration due to the presence of Naval Air Station (NAS) Patuxent River, which is the county's largest employer with approximately 25,000 employees.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A sustained approximately 20% increase in long-term liabilities due to additional debt and/or increases in net pension liabilities (NPLs) and carrying costs, absent a commensurate increase in personal income and/or governmental resources.
- A material weakening in demographic and economic metrics, including unemployment rate, population trend or personal income, potentially related to a downsizing of operations at NAS Patuxent River.
- A sustained decline in available general fund balances below 7.5% of spending, which would lower the financial resilience assessment to below 'aaa'.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Not applicable because the 'AAA' rating is highest rating that can be assigned.

Security

The bonds are general obligations of the county, whose full faith and credit and unlimited taxing power are irrevocably pledged to repayment of the bonds.

Ratings

Long-Term IDR	AAA
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Outlooks

Long-Term IDR	Stable
General Obligation Bonds	Stable

New Issue

\$30,000,000 General Obligation Consolidated Public Improvement Bonds, Series 2025	AAA
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Sale Date

May 6 via competition

Outstanding Debt

General Obligation Consolidated Public Improvement Bonds	AAA
General Obligation Public Improvement Refunding Bonds	AAA

Applicable Criteria

[U.S. Public Finance Local Government Rating Criteria \(April 2024\)](#)

Related Research

[Fitch Rates St. Mary's County, MD's \\$30MM GOs 'AAA'; Affirms IDR at 'AAA'; Outlook Stable \(April 2025\)](#)

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Rating Headroom & Positioning

St. Mary's County Model Implied Rating: 'AAA' (Numerical Value: 10.27)

- **Metric Profile:** 'AAA' (Numerical Value: 10.27)
- **Net Additional Analytical Factor Notching:** 0.0

St. Mary's County's Model Implied Rating is 'AAA'. The associated numerical value of 10.27 is at the lower end of the range for a 'AAA' rating.

The Local Government Rating Model generates Model Implied Ratings, which communicate the issuer's credit quality relative to Fitch's local government rating portfolio. (The Model Implied Rating will be the Issuer Default Rating except in certain circumstances explained in the applicable criteria.) The Model Implied Rating is expressed via a numerical value calibrated to Fitch's long-term rating scale that ranges from 10.0 or higher (AAA), 9.0 (AA+), 8.0 (AA), and so forth down to 1.0 (BBB- and below).

Model Implied Ratings reflect the combination of issuer-specific metrics and assessments to generate a Metric Profile and a structured framework to account for Additional Analytical Factors not captured in the Metric Profile that can either mitigate or exacerbate credit risks. Additional Analytical Factors are reflected in notching from the Metric Profile and are capped at +/-3 notches.

Current Developments

The county ended fiscal 2024 with a general fund net operating deficit of about \$0.5 million, which lowered unrestricted reserve levels to \$76.7 million (24% of spending). This deficit is \$13.5 million less than budgeted and was the result of revenues exceeding budget by \$5.0 million and expenditure savings associated with vacancies. Income taxes came in with a \$2.8 million positive variance relative to budget, while other local taxes (not including property tax) were collected with a \$2.5 million negative variance relative to budget. The income tax rate remained at 3%.

The fiscal 2025 adopted general fund budget represents an increase of about 3.7% from the prior year budget, with an unchanged property tax rate and an increase of the income tax rate to 3.2%. The budget incorporates a \$6.7 million fund balance appropriation. Income tax revenues are budgeted to increase by \$9.7 million (7.1%) relative to fiscal 2024, due to the new rate and adjusting for a history of budgets that have understated receipts. The budget includes compensation increases of 3% for sworn officers, and 1% cost of living adjustment and 1 merit-based step increase for county employees and elected officials. The county's funding of the Board of Education, at \$134.4 million in the fiscal 2025 budget, is approximately \$8.1 million above the maintenance of effort level.

The fiscal 2026 recommended general fund budget represents an increase of about 5.7% from the prior-year budget. Tax rates remain steady, and the county is budgeting a \$11.5 million fund balance appropriation. The use of fund balance is due in part to one-time capital expenditures in various departments. The budget includes a 1% cost of living adjustment and 1 merit-based step increase for county employees and elected officials.

Profile

St. Mary's County is in the southern part of Maryland, bordering the Patuxent and Potomac rivers and Chesapeake Bay. The county's estimated 2024 population of 116,469 has increased by roughly 11% since 2010. Population growth reflects, in part, continued expansion at the NAS, which is home to the Naval Air Systems Command and the Naval Air Warfare Center Aircraft Division headquarters. The county's unemployment rate had generally trended slightly below national averages, reflective of the stability of federal funding for the NAS. Wealth indicators are above U.S. averages in part due to a cluster of higher-wage technology jobs in the area.

Key Drivers

Issuer: St. Mary's County (MD)	Financial Profile	0.0	Issuer Position Within AAA Model Implied Rating 	
Type: County General Obligation	Demographic & Economic Strength	0.0		
Current: AAA, RO:Sta (2024/11/12)	Long-Term Liability Burden	0.0	Rating position post application of analytical overlay	
Fiscal Year	AAF Notching Total(4)	0.0		
Metric Profile	MIR - Metric	10.27		
Metric Profile Mapping	MIR - Mapping	AAA		

Metric	2024	2024	Percentile	Weight	Percentile / Value	Assessment	Weight
Financial Profile							
Financial Resilience Components							
Available Reserves (FB/Expenditures: 5-Year Low) (%)	24.0					aaa	35%
Revenue Control Assessment	High	High					
Expenditure Control Assessment	High	High					
Budgetary Flexibility	Ample	Ample					
Financial Resilience							
Lowest Cumulative 3 Year Revenue Performance (+/-) since 2008 (%)	3.3					Strongest	0%
Revenue Volatility(1)			93%	100%			
Demographic and Economic Strength							
Trend							
Population Trend (%) (2)	0.7		37%	100%	37%	Weak	8%
Unemployment Rate as Percentage of National Rate (%) (5)		68.8	89%	33%			
Population w/ Bachelor's Degree and Higher (%) (2)	35.1		64%	33%	80%	Strong	26%
MHI as a % of the Portfolio Median (2)	146.6		86%	33%			
Concentration & Size							
Population Size (2) (3)	115,479		100%	50%	51%	Midrange	9%
Economic Concentration (%) (2) (3)	82.3	84.3	3%	50%			
Long-Term Liability Burden							
Liabilities/Personal Income (%)	3.8	4.0	64%	35%			
Liabilities/Governmental Revenues (%) (6)	87.3	92.9	88%	25%	77%	Strong	21%
Carrying Costs/Governmental Expenditures (%)	9.3	9.9	83%	40%			

Financial Profile

Financial Resilience - 'aaa'

St. Mary's County's financial resilience is driven by the combination of its 'High' revenue control assessment and 'High' expenditure control assessment, culminating in a 'Ample' budgetary flexibility assessment.

- **Revenue control assessment:** High
- **Expenditure control assessment:** High
- **Budgetary flexibility assessment:** Ample
- **Minimum fund balance for current financial resilience assessment:** >=7.5%
- **Current-year fund balance to expenditure ratio:** 24.0% (2024)
- **Lowest fund balance to expenditure ratio for the fiscal-year period 2020-2024:** 24.0% (2024)

Revenue Volatility - 'Strongest'

St. Mary's County's weakest historical three-year revenue performance is neutral to the Model Implied Rating.

The revenue volatility metric is an estimate of potential revenue volatility based on the issuer's historical experience relative to the median for the Fitch-rated local government portfolio. The metric helps differentiate issuers by the scale of revenue loss that would have to be addressed through revenue raising, cost controls or utilization of reserves through economic cycles.

- **Lowest three-year revenue performance (based on revenues dating back to 2005):** 3.3% increase for the three-year period ending fiscal 2015
- **Median issuer decline:** -4.5% (2024)

State-Specific Revenue/Expenditure Context & Budgetary Control

The county's independent legal ability to increase the real property tax rate is not subject to any limitation on the tax rate or levy; the county last increased its property tax rate in 2001. The income tax rate was raised to the statutory maximum rate of 3.2% effective January 1, 2025.

The county is not a party to any collective bargaining agreements, giving management broad legal control over employee-related spending that is the key driver of the general fund budget.

Maryland counties fund a significant portion of school budgets. According to the state's maintenance of effort mandate, education spending on a per-pupil basis cannot decline below the state-mandated level yoy without state approval, which somewhat limits the county's spending flexibility.

Additional Insight

The county's general fund balance policy is 15% of revenues.

Demographic and Economic Strength

Population Trend - 'Weak'

Based on the median of 10-year annual percentage change in population, St. Mary's County's population trend is assessed as 'Weak'.

Population trend: 0.7% 2023 median of 10-year annual percentage change in population (37th percentile)

Unemployment, Educational Attainment and MHI Level - 'Strong'

The overall strength of St. Mary's County's demographic and economic level indicators (unemployment rate, educational attainment, MHI) in 2024 are assessed as 'Strong' on a composite basis, performing at the 80th percentile of Fitch's local government rating portfolio. This is due to relatively strong education attainment levels, median-issuer indexed adjusted MHI and unemployment rate.

- **Unemployment rate as a percentage of national rate:** 68.8% Analyst Input (89th percentile), relative to the national rate of 4.0%
- **Percentage of population with a bachelor's degree or higher:** 35.1% (2023) (64th percentile)
- **MHI as a percentage of the portfolio median:** 146.6% (2023) (86th percentile)

Economic Concentration and Population Size - 'Midrange'

St. Mary's County's population in 2023 was of sufficient size to qualify for Fitch's highest overall size category but this is offset by the highly concentrated economy.

The composite metric acts asymmetrically, with most issuers (above the 15th percentile for each metric) sufficiently diversified to minimize risks associated with small population and economic concentration. Downward effects of the metric on the Metric Profile are most pronounced for the least economically diverse issuers (in the fifth percentile for the metric or lower). The economic concentration percentage shown below is defined as the sum of the absolute deviation of the percentage of personal income by major economic sectors relative to the U.S. distribution.

- **Population size:** 115,479 (2023) (above the 15th percentile)
- **Economic concentration:** 84.3% Analyst Input (from 0th to 2.5th percentile) (vs. 82.3% 2024 Actual)

Analyst Inputs to the Model

Analyst inputs to the model reflect metric adjustments to account for historical data anomalies, forward-looking performance shifts, or non-recurring events that may otherwise skew the time series.

The unemployment rate metric uses a 12-month rolling average of 2024 monthly data to calculate the proper rate for 2024. Economic concentration was adjusted by using the state-wide county median for natural resources and mining sector data, which was absent.

Long-Term Liability Burden

Long-Term Liability Burden - 'Strong'

St. Mary's County's long-term liability metrics remain moderately strong across each of the three dimensions: liabilities to personal income, liabilities to governmental revenue, and carrying costs to governmental expenditures. The long-term liability composite metric in 2024 is at the 77th percentile, indicating a somewhat lower liability burden relative to the Fitch's local government rating portfolio.

- **Liabilities to personal income:** 4.0% Analyst Input (64th percentile) (vs. 3.8% 2024 Actual)
- **Liabilities to governmental revenue:** 92.9% Analyst Input (88th percentile) (vs. 87.3% 2024 Actual)
- **Carrying costs to governmental expenditures:** 9.9% Analyst Input (83rd percentile) (vs. 9.3% 2024 Actual)

Pension Adjustments

On an aggregate basis for all pension plans as of the most recent measurement date, the reported asset to liability ratio was 76.7%, or an estimated 66.9%, using Fitch's standard 6% rate of return adjustment. The Fitch-adjusted NPL was equal to \$137.6 million, or about 1.7% of personal income.

Analyst Inputs to the Model

The long-term liability burden includes adjustments to deduct scheduled outstanding principal amortization through fiscal 2025 and to add the principal and debt service amount associated with the county's 2025 debt issuance.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores.

Financial Summary

(\$000, Audited Fiscal Year Ending June 30)	2020	2021	2022	2023	2024
General Fund Revenues					
Property Tax	113,230	115,718	118,450	122,947	126,673
Sales Tax	-	-	-	-	-
Income Tax	107,335	127,909	122,381	126,982	140,662
Other Tax	9,366	11,917	13,776	11,441	9,737
Total Taxes - Undifferentiated	-	-	-	-	-
Intergovernmental	10,949	23,801	18,951	14,894	18,794
Other Revenue	7,017	9,242	8,267	17,146	19,005
Total	247,898	288,587	281,824	293,411	314,872
General Fund Expenditures					
General Government	25,840	27,877	28,319	31,685	35,849
Public Safety	51,375	67,427	63,902	66,966	75,432
Educational	113,641	116,489	122,114	129,613	136,715
Debt Service	13,060	12,506	14,523	13,314	15,629
Capital Outlay	-	-	-	-	-
Other Expenditures	30,956	38,097	42,506	39,052	47,063
Total	234,871	262,396	271,364	280,630	310,688
Transfers In and Other Sources	-	924	-	-	4,048
Transfers Out and Other Sources	12,989	4,680	7,664	24,187	8,732
Net Transfers & Other	-12,989	-3,756	-7,664	-24,187	-4,683
Adjustment for Bond Proceeds and Extraordinary One-Time Uses	-	-	-	-	-
Net Op. Surplus (Deficit) After Transfers	38	22,435	2,797	-11,406	-499
Net Op. Surplus (Deficit)/ (Total Expenditures + Transfers Out and Other Uses) (%)	0.02	8.4	1	-3.74	-0.16
Total Fund Balance	65,683	88,119	90,916	79,510	79,011
Unrestricted Fund Balance	63,380	86,016	88,682	77,326	76,720
Other Available Fund Balances	-	-	-	-	-
Total Available Unrestricted Reserves (General Fund + Other)	63,380	86,016	88,682	77,326	76,720
Available Reserves as % of Spending (Adj. for Bond Proceeds and Other One-Time Uses)	25.57	32.21	31.78	25.37	24.02

Sources: Fitch Ratings, Fitch Solutions, St. Mary's County, MD

Long-Term Liability Burden

(\$000, Audited Fiscal Year Ending June 30)	2024
Direct Debt	169,912
Less: Self-Supporting Debt	-
Net Direct Debt	169,912
Fitch Adjusted net pension liabilities (NPLs)	137,596
Net Direct Debt + Fitch-Adjusted NPLs	307,508
Population	116,469
Per Capita Personal Income (\$)	70,353
Estimated Personal Income	8,193,944
Net Debt + Fitch-Adjusted NPL s/Personal Income (%)	3.8
Total Governmental Revenues	352,308
Net Direct Debt + Fitch Adjusted NPLs as % of Governmental Revenue	87.28
Debt Service (Net of State Support)	15,854
Actuarially Determined Pension Contributions	14,905
Actual OPEB Contributions	4,646
Total Governmental Expenditures	379,555
Carrying Costs/Governmental Expenditures (%)	9.33

Note: Figures above do not reflect any Analyst Input Adjustments.
 Sources: Fitch Ratings, Fitch Solutions, St. Mary's County, MD

Summary

Description	Final Value
Budgetary Flexibility Assessments	
Revenue Control Assessment	High
Expenditure Control Assessment	High
Collective Bargaining and Resolution Framework	High
Workforce Outcomes	High
Cost Drivers	Midrange
Metrics Assessments	
Financial Profile - Financial Resilience	aaa
Financial Profile - Revenue Volatility	Strongest
Demographic & Economic Strength - Trend	Weak
Demographic & Economic Strength - Level	Strong
Demographic & Economic Strength - Concentration & Size	Midrange
Long-Term Liability Burden	Strong
Metric Profile Mapping	AAA
Metric Profile	10.27
Additional Analytical Factors	
Total Notching - capped	
Financial Profile	
Fiscal Oversight	
Revenue Capacity	
Contingent Risks	
Non-Recurring Support or Spending Deferrals	
Political Risks	
Management Practices	
Demographic & Economic Strength	
Economic and Institutional Strength	
Revenue Concentration Risks	
School District Resources	
Long-Term Liability Burden	
Pension Funding Assumptions	
Pension Contributions	
OPEB	
Debt Structure	
Capital Demands and Affordability	
Model Implied Rating - Mapping	AAA
Model Implied Rating - Metric	10.27
Outliers and Developing Situations Considerations	No
Notching Rationale - 1	
Notching Rationale - 2	
Issuer Default Rating/Issuer Default Credit Opinion	AAA
Outlook/Watch	RO:Sta
Source: Fitch Ratings	

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