

RatingsDirect®

Summary:

Carroll County Commissioners, Maryland Carroll County; General Obligation

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| Credit Profile | | |
|---|------------|----------|
| US\$30.0 mil GO pub imp bnds of (Carroll County) ser 2024 due 11/01/2044 | | |
| <i>Long Term Rating</i> | AAA/Stable | New |
| US\$6.5 mil taxable GO bnds (Carroll County) (Volunteer Fire Dept Proj) ser 2024 due 11/01/2044 | | |
| <i>Long Term Rating</i> | AAA/Stable | New |
| Carroll Cnty | | |
| <i>Long Term Rating</i> | AAA/Stable | Affirmed |

Credit Highlights

- S&P Global Ratings assigned its 'AAA' rating to Carroll County Commissioners, Md.'s roughly \$36.5 million series 2024 public-improvement general obligation (GO) bonds, issued for Carroll County.
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on the county's existing GO debt.
- The outlook is stable.
- The rating reflects the application of its criteria, "Methodology For Rating U.S. Governments," published Sept. 9, 2024, on RatingsDirect.

Security

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

Officials will use series 2024 bond proceeds to fund various capital projects.

Credit overview

The rating reflects our opinion of the county's record of positive finances and high reserves, supported by conservative budgeting and financial-management practices, underpinned by a diversified and growing economy. Ongoing cash-funding of capital projects, well-established debt-management guidelines, and limited pressure from pension and other postemployment benefits (OPEB) somewhat mitigate significant additional capital and borrowing needs.

Current and new employers spur the county's economic expansion. The county's highly educated workforce and efforts to foster workforce development through Carroll County Workforce Development, a county-run development center, continue to draw in new employers. Within the past year, existing employers have announced new investments of more than \$137 million with 475 jobs created. Despite ongoing economic development, the county emphasizes the preservation of agricultural land and green space, supporting its tourism sector and generating \$140 million of sales annually.

The county's record of stable operations continued in fiscal 2024. Unaudited results show a sixth consecutive surplus

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and the maintenance of high levels of available reserves (assigned, unassigned, and committed) despite a planned use of \$40.2 million of fund balance. Due to better-than-budgeted revenue collections, the county only used \$23.4 million for one-time capital projects; it maintains robust reserves.

The fiscal 2025 budget includes a 0.4% general fund increase, including a 5.8% increase in public-school funding. Similar to prior fiscal years, the budget includes \$46.9 million of capital-fund balance use for various one-time capital projects. The county has transitioned to a combined professional fire-and-emergency-medical-services force with approximately 230 positions: It requires \$19.7 million of net new funding by fiscal 2025; the county fully includes this transition in its long-term financial plan.

Due to the county's record and ongoing property tax base expansion, we expect budgetary performance will likely remain positive. Moreover, the county has additional revenue-raising flexibility. In addition, the county could potentially cut back on future OPEB contributions since the plan is currently overfunded.

Following this series 2024 issuance, the county has approximately \$311.2 million of net direct debt outstanding. Its six-year capital plan includes annual issuances of up to \$45 million and a gradual increase in nominal debt outstanding. Due to continued tax base growth, the county will likely remain in compliance with its debt-management policy; we do not expect the current plan will likely have an effect on our view of the debt profile.

Besides the overfunded OPEB plan, pension plans remain well funded and carrying charges are low. The county has a line of credit with a local bank for up to \$12 million of secured debt for a county-airport-related project, from which it had drawn \$4.8 million at fiscal year-end 2023; it expects to draw only \$8 million from the line of credit. We do not consider this line of credit a contingent-liquidity risk.

The rating also reflects our opinion of the county's:

- Robust economy, underpinned by the expansion of existing and new employers; a broad range of industries encompassing manufacturing, pharmaceutical, and aerospace and defense; and the announcement and completion of \$428 million of investments in land development, supported by the county's favorable location and well-educated workforce;
- Seasoned financial-management team with comprehensive and robust financial-management policies and practices, including long-term capital and financial plans, formal debt- and investment-management and reserve policies, and regular reporting;
- Recurring surplus results since fiscal 2019, supporting the maintenance of high available reserves with no plans to spend them down; and
- Limited fixed-cost pressure despite additional borrowing plans thanks to proactive long-term liability management.
- For more information on our institutional framework assessment for Maryland municipalities, see "Institutional Framework Assessment: Maryland Local Governments," published Sept. 9, 2024.

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 storm-water-and-floodplain management to mitigate risk.

Rating 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 from property taxes with independent taxing authority and treasury management from the federal government.

Outlook

The stable outlook reflects S&P Global Ratings' view of the county's expanding economy and stable budgetary performance with high reserves due to well-embedded financial-management policies, 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 budgetary deterioration.

Table 1

| Carroll County, Maryland--credit summary | |
|---|------|
| Institutional framework | 1 |
| Individual credit profile | 1.70 |
| Economy | 2.5 |
| Financial performance | 2 |
| Reserves and liquidity | 1 |
| Debt and liabilities | 2.00 |
| Management | 1.00 |

Table 2

| Carroll County, Maryland--key credit metrics | | | | |
|---|--------------------|-------------|-------------|-------------|
| | Most recent | 2023 | 2022 | 2021 |
| Economy | | | | |
| Gross county product per capita as a % of U.S. | 55.0 | -- | 55.0 | 56.0 |
| County per capita personal income as a % of U.S. | 109.0 | -- | 109.0 | 108.0 |
| Market value (\$000s) | 22,789,036 | 22,789,036 | 22,010,187 | 21,344,811 |
| Market value per capita (\$) | 130,622 | 130,622 | 126,869 | 126,483 |
| Top 10 taxpayers as a % of taxable value | 2.6 | 2.6 | 2.6 | 2.6 |
| County unemployment rate (%) | 1.7 | 1.7 | 2.4 | 3.8 |
| Local median household effective buying income as a % of U.S. | 138.0 | 138.0 | 136.0 | 139.0 |
| Local per capita effective buying income as a % of U.S. | 121.0 | 121.0 | 120.0 | 122.0 |
| Local population | 174,465 | 174,465 | 173,488 | 168,757 |
| Financial performance | | | | |
| Operating fund revenue (\$000s) | -- | 478,514 | 476,006 | 451,861 |
| Operating fund expenditures (\$000s) | -- | 444,548 | 437,199 | 407,696 |
| Net transfers and other adjustments (\$000s) | -- | (28,895) | (23,751) | 3,638 |

Summary: Carroll County Commissioners, Maryland Carroll County; General Obligation

Table 2

| Carroll County, Maryland--key credit metrics (cont.) | | | | |
|--|-------------|---------|---------|---------|
| | Most recent | 2023 | 2022 | 2021 |
| Operating result (\$000s) | -- | 5,071 | 15,056 | 47,803 |
| Operating result as a % of revenue | -- | 1.1 | 3.2 | 10.6 |
| Operating result three-year average (%) | -- | 4.9 | 5.4 | 4.7 |
| Reserves and liquidity | | | | |
| Available reserves as a % of operating revenue | -- | 27.9 | 27.1 | 25.2 |
| Available reserves (\$000s) | -- | 133,549 | 129,118 | 114,042 |
| Debt and liabilities | | | | |
| Debt service cost as % of revenue | 6.0 | 6.0 | 6.2 | 6.7 |
| Net direct debt per capita (\$) | 1,784 | 1,687 | 1,653 | 1,666 |
| Net direct debt (\$000s) | 311,243 | 294,299 | 286,702 | 281,165 |
| Direct debt 10-year amortization (%) | 65.0 | -- | -- | -- |
| Pension and other postemployment benefit costs as a % of revenue | 3.0 | 3.0 | 4.0 | 3.0 |
| Net pension liabilities per capita (\$) | 207 | 207 | 107 | -- |
| Combined net pension liabilities (\$000s) | 36,137 | 36,137 | 18,591 | -- |

Ratings Detail (As Of November 13, 2024)

Carroll County Commissioners, Maryland

Carroll County, Maryland

Carroll Cnty Commissioners (Carroll Cnty) GO

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

Carroll Cnty Commissioners (Carroll Cnty) GO

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

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