



## Fitch Rates St. Mary's County, Maryland GO Bonds 'AA'; Stable Outlook

28 Feb 2005 4:45 PM (EST)

Fitch Ratings-Washington, D.C.-February 28, 2005: (This is an amended version of a press release issued earlier today and contains revised information in this paragraph.) Fitch Ratings assigns an 'AA' rating to St. Mary's County, Maryland's (the county) \$16.3 million consolidated public improvement bonds of 2005. The bonds, dated March 1, 2005, are unlimited tax general obligations of the county. The offering is scheduled for bids on March 8. Fitch also affirms the 'AA' rating on \$147 million of outstanding general obligation bonds and the 'AA' rating on \$6.2 million of outstanding St. Mary's County Building Authority Commission refunding bonds of 2003. The Rating Outlook is Stable.

The 'AA' rating reflects St. Mary's County's stable economy rooted in the military and government, solid financial management, and moderate debt levels. The economy is dominated by Patuxent River Naval Air Station (PAX), the U.S. Navy's primary research, development, and testing center for aviation. Recent announcements of new programs under development at PAX provide some comfort that the base will remain intact after the upcoming round of Base Realignment and Closure (BRAC). County officials have worked extensively to address perceived concerns that might affect the status of PAX and they are confident the base will fare well when the BRAC announcements are made in May of this year. To offset unanticipated BRAC effects, the county has prudently established a sizable economic stabilization reserve, using surplus fiscal 2004 funds.

St. Mary's County is a peninsula located on the western shore of the Chesapeake Bay, south of Charles and Calvert counties. PAX employs nearly 20,000 civilian, military, and contractor personnel and is the county's main economic driver. Over the last 15 years PAX has steadily expanded as earlier BRAC rounds consolidated naval aviation activities into one location. PAX and its contractor partners are currently involved in several high-profile procurement programs, including a next-generation fighter aircraft, a new fleet of presidential helicopters, and unmanned aerial vehicles. Increased governmental activity has generated more private investment from defense contractors, leading to population and tax base growth and increased income levels. The residential unemployment rate as of December 2004 equaled a low 2.5%, well below the state and nation's.

Financial management is solid, as reflected in the maintenance of solid fund balances and ample liquidity. The unreserved general fund balance at the close of fiscal 2004 was \$21.7 million, or 16.5% of expenditures and transfers out. Operating results for the year were aided by favorable variance in income and recordation taxes and expenditure savings on personnel and debt service. The fiscal 2005 budget, which accommodated modest property and income tax rate reductions, is on target through mid-year.

The pace of residential growth keeps capital needs at an affordable level. St. Mary's has clear debt affordability policies, for which it projects compliance over the life of its \$163 million capital plan through 2010. About one-third of the program will be debt financed. Direct debt levels are moderate at \$1,422 per capita and 2.1% of market value. Amortization is rapid at 63% in 10 years.

Contact: Joseph D. Mason +1-703-245-3068, McLean.

**Media Relations: Kenneth Reed +1-212-908-0540, New York**

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