

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns Aaa to Howard County, MD's 2025 GO refunding bonds; outlook stable

11 Mar 2025

New York, March 11, 2025 -- Moody's Ratings (Moody's) has assigned a Aaa rating to Howard County, MD's \$28.2 million Consolidated Public Improvement Refunding Bonds, 2025 Series C (Tax-Exempt). We maintain a Aaa on the county's issuer and general obligation ratings. The county had \$2.1 billion in total debt outstanding at the end of 2024. The outlook is stable.

RATINGS RATIONALE

The Aaa issuer rating reflects the county's robust and dynamic local economy that benefits from its location between the City of Baltimore (Aa2 stable) and Washington D.C. (Aaa rating under review for possible downgrade). The area has ongoing private sector development that will add to its already strong economy anchored by higher education, health care, and technical/professional industries. Federal government employment and procurement contraction will impact the state as a whole. Although we believe the county has some exposure to potential federal funding freezes or cuts, which could equate to reduced operating revenue, we believe management is well positioned to effectively mitigate the effects of any such cuts through budget adjustments. The county's largest employers are Johns Hopkins Applied Physics Lab and Johns Hopkins Howard County Medical Center. Resident income and wealth are very strong and are a key credit strength.

The financial position of the county has been stable over the past several years with fund balance around 25-30% revenue. However, the county is utilizing \$196 million in past operating surpluses to fund future capital projects in 2025. While operations are trending better than budget, General Fund balance will decline by the end of the year. The fiscal 2026 budget is still in progress but will likely include routine increases in spending. The county has a very strong management team that conducts multi-year financial forecasts to budget for future needs while maintaining healthy reserves.

The leverage is affordable with long-term liabilities equal to around 170% of revenue

(post sale) but the county has a sizable \$1.6 billion capital improvement plan through 2030. Even with the annual debt issuances, leverage should remain manageable given rapid principal amortization. Pensions and OPEB are not a material portion of leverage.

The Aaa on the county's general obligation bonds reflects the unlimited ad valorem tax pledge that support debt service.

RATING OUTLOOK

The stable outlook reflects the growing likelihood that the county's reserves will remain in line with current expectations while its leverage and economy stay strong.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Decline in fund balance to below 20% of revenue
- Increase in leverage to above 250% of revenue
- Material federal government contraction that impacts its key credit characteristics or limits financial flexibility

LEGAL SECURITY

The bonds are general obligations of the county and its unlimited ad valorem tax pledge supports the bonds.

USE OF PROCEEDS

The bonds will be used to refinance its outstanding Consolidated Public Improvement Bonds, 2010 Series C (Taxable - Build America Bonds - Direct Pay).

PROFILE

Howard County is located in central Maryland (Aaa negative) and favorably located between Baltimore and Washington D.C. The county's population is around 334,000.

METHODOLOGY

The principal methodology used in this rating was US Cities and Counties published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425429>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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