

Tax Supported
New Issue

Howard County, Maryland

Ratings

New Issues	
Consolidated Public Improvement Bonds, 2009 Series A	AAA
Metropolitan District Bonds, 2009 Series A	AAA
Outstanding Debt	
Consolidated Public Improvement Bonds	AAA
Metropolitan District Bonds	AAA

Rating Outlook

Stable

Analysts

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New Issue Details

Sale Information: Approximately \$74,000,000 Consolidated Public Improvement Bonds, 2009 Series A, and \$26,900,000 Metropolitan District Bonds, 2009 Series A, competitively on March 24.

Security: General obligations of Howard County, secured by a pledge of its full faith, credit, and taxing power.

Purpose: Redeem a portion of the county's bond anticipation notes and pay costs related to certain county capital projects, costs related to the county's water and sewer capital projects, and costs of issuance on the bonds.

Related Research

- [Howard County, Maryland, Feb. 6, 2008](#)
- [State of Maryland, Feb. 23, 2009](#)

Rating Rationale

- Superior wealth levels and a breadth of employment opportunities locally and regionally underscore Howard County's strong economy and solid tax base.
- Excellent financial management has resulted in solid reserve levels and controlled expenditure growth.
- Overall debt levels are moderate, amortization is rapid, and the county continues to adhere to conservative financial and debt policies.

Key Rating Drivers

- Prudent fiscal management is expected to maintain strong reserve levels in light of broader economic pressures and declines in the real estate market.
- Economic growth should continue at a measured pace, allowing management to address infrastructure expansion and renewal in a timely manner without undue fiscal strain.

Credit Summary

The 'AAA' rating reflects Howard County's deep and diverse economy, strong financial management, high wealth indicators, and moderate debt burden with rapid amortization. The county's financial position is strong, with ample liquidity, sound general fund reserves above the charter-mandated level, and excellent financial planning. Current and projected tax-supported debt levels are affordable.

Howard County's relative affluence, high quality of life, excellent schools, and proximity to both Baltimore and Washington, D.C. have resulted in continued strong demand for housing and related commercial expansion. Repeatedly listed as one of the best places to live in popular magazines, the county controls its growth, limiting new housing units to 1,850 annually and placing 10% of its land under permanent farmland preservation easements. Development is anticipated as a result of recent Base Realignment and Closure Commission recommendations, which will bring Defense Information Systems Agency and other defense department activities to Fort Meade, in adjacent Anne Arundel County. Assessed valuation growth has been solid, averaging roughly 10% annually since fiscal 2000. Fitch Ratings anticipates the county's assessment process will shelter it, at least in part, from market declines over the next few fiscal years. County employment remains strong, with the December 2008 unemployment rate of 3.8% comfortably below the state's 5.5% and the nation's 7.1% levels. Wealth and income indicators are high, with per capita income 29% above state and 63% above national averages.

Financial operations and planning are a credit strength, evidenced by healthy reserve levels and overall financial flexibility. Fiscal 2008 ended with an unreserved general fund balance equal to \$47.9 million, representing a solid 6.0% of spending. The county maintains a general fund charter reserve equal to 7% of the prior year's audited expenditures and a separate designation of approximately \$6 million above the charter reserve amount. Additional flexibility stems from the county's increased pay-as-you-go funding for capital needs and other post-employment benefits. The county expects to

Rating History

Rating	Action	Outlook/ Watch	Date
AAA	Affirmed	Stable	3/6/09
AAA	Assigned	—	9/4/89

end fiscal 2009 on budget, with proactive measures to reduce expenditures projected to offset anticipated revenue declines from income tax and recordation tax receipts.

General Fund Financial Summary

(\$000, Audited Fiscal Years Ended June 30)

	2004	2005	2006	2007	2008
Property Taxes	267,579	288,765	313,061	337,533	367,835
Other Local Taxes	231,425	282,977	316,737	321,942	340,855
Other Revenues	47,269	46,826	54,544	59,864	61,808
Total Revenues	546,272	618,568	684,342	719,339	770,499
Total Expenditures	543,327	590,441	632,892	691,046	764,565
Operating Income	2,945	28,127	51,450	28,294	5,934
Net Transfers and Other Sources/(Uses)	6,230	4,333	(14,507)	(22,309)	(18,146)
Net Income/(Deficit)	9,175	32,460	36,943	5,971	(12,212)
Total Fund Balance	39,751	72,211	109,154	115,139	102,927
Unreserved Fund Balance	2,068	31,589	65,694	67,302	47,922
As % of Expenditures, Transfers Out, and Other Uses:					
Total Fund Balance	7.2	12.0	16.5	15.8	12.8
Unreserved Fund Balance	0.4	5.3	9.9	9.2	6.0

Note: Numbers may not add due to rounding.

Debt levels are moderate and are expected to remain so, as a spending affordability advisory committee annually measures debt affordability and operating projections. Inclusive of the current issuance, overall net debt will equal \$2,848 per capita and 1.7% of market value. Amortization of principal continues to be above average. In addition to ongoing long-term borrowing, the county continues to borrow on a short-term basis to provide for interim financing of the capital improvement program (CIP). A portion of the current issuance will redeem approximately \$73.4 million of outstanding bond anticipation notes and refinance them on a long-term basis. The fiscal years 2009–2014 CIP totals \$1.7 billion, with roughly one-half of planned spending for the highly regarded K–12 school system and the local community college.

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