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Fitch New Issue Report: Charles County, Maryland

Key Rating Drivers Revenue Framework: 'aaa': General fund revenues consist primarily of property and income taxes. Fitch expects future revenue growth to be above the level of inflation but below national GDP, consistent with past performance. The county has the independent legal ability to raise property tax revenues without limitation. Expenditure Framework: 'aa': The county maintains solid control over spending. Fixed carrying costs related to debt and retiree benefits are moderate. Education makes up about half of the county's spending and any reduction would require state approval. Fitch expects spending growth to be marginally above revenue growth in the absence of policy action. Long-Term Liability Burden: 'aaa': The county's long-term liability burden is low. Future debt needs are manageable and amortization of existing debt is rapid. Aggregate net pension liability, when adjusted to Fitch's standard 6% investment rate of return, stands at a low 2% of personal income. Operating Performance: 'aaa': Fitch expects the county to maintain a high level of fundamental financial flexibility throughout economic cycles, supported by solid revenue growth prospects, expenditure and revenue flexibility and sound reserve levels. Key Rating Drivers Revenue Framework: 'aaa': General fund revenues consist primarily of property and income taxes. Fitch expects future revenue growth to be above the level of inflation but below national GDP, consistent with past performance. The county has the independent legal ability to raise property tax revenues without limitation. Expenditure Framework: 'aa': The county maintains solid control over spending. Fixed carrying costs related to debt and retiree benefits are moderate. Education makes up about half of the county's spending and any reduction would require state approval. Fitch expects spending growth to be marginally above revenue growth in the absence of policy action. Long-Term Liability Burden: 'aaa': The county's long-term liability burden is low. Future debt needs are manageable and amortization of existing debt is rapid. Aggregate net pension liability, when adjusted to Fitch's standard 6% investment rate of return, stands at a low 2% of personal income. Operating Performance: 'aaa': Fitch expects the county to maintain a high level of fundamental financial flexibility throughout economic cycles, supported by solid revenue growth prospects, expenditure and revenue flexibility and sound reserve levels.

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