

Rating Action: Moody's upgrades Wicomico County, MD's G.O. to Aa2

Global Credit Research - 10 Oct 2013

Assigns Aa2 to \$12.5M GO Bonds, Series 2013

New York, October 10, 2013 --

Moody's Rating

Issue: General Obligation Public Improvement Bonds of 2013; Rating: Aa2; Sale Amount: \$12,500,000; Expected Sale Date: 10/17/2013; Rating Description: General Obligation Limited Tax

Opinion

Moody's Investors Service has assigned a Aa2 rating to Wicomico County's (MD) \$12.5 million General Obligation Public Improvement Bonds of 2013. The bonds are secured by the county's limited property tax pledge. Concurrently, Moody's has upgraded to Aa2 from Aa3 the rating on \$107 million of parity debt.

SUMMARY RATING RATIONALE

The Aa2 rating and upgrade reflects the county's sound financial reserve position, which is bolstered by strong management and formal fiscal policies. The rating also incorporates the county's sizable, albeit rural, tax base that is expected to decline moderately in the near term but experience growth in the longer term due to active economic development efforts and its position as an economic center for the Delmarva peninsula. The rating also reflects the county's slightly above average, but manageable, debt burden.

STRENGTHS

- Historically satisfactory reserve levels bolstered by formal policies and multi-year forecasting
- Well-funded pension plan
- Socioeconomic factors in line with national levels

CHALLENGES

- Moderate declines in tax base, which are expected to continue through fiscal 2017
- Limited revenue raising flexibility due to locally imposed property tax cap and recent increase in income tax rate

WHAT COULD MOVE THE RATING UP

- Continued growth and diversification in the tax base
- Continued growth in reserve levels

WHAT COULD MOVE THE RATING DOWN

- Deterioration of reserves
- Declines in tax base in excess of current projections
- Significant increase in debt burden

The principal methodology used in this rating was General Obligation Bonds Issued by US Local Governments published in April 2013. Please see the Credit Policy page on www.moody's.com for a copy of this methodology.

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