

Economic Development and the Credit Rating Process



May 24, 2023

To provide insight into the important role Economic Development plays in the credit rating process, and how those credit ratings can be used to help attract future development.

What is a Credit Rating?

A credit rating is assigned to publicly issued debt and measures a government's willingness and ability to pay its debt on time.

The rating is a measure of risk that potential investors use to decide whether or not to purchase a government's bond.

The higher the credit rating, the less risk a default will occur.

Who Assigns Credit Ratings?

*There are three national credit rating agencies that
Maryland governments utilize.*

FitchRatings

MOODY'S
INVESTORS SERVICE

S&P Global
Ratings

Credit Rating Scales

Maryland local governments are typically highly rated (top three tiers) due to **STRONG ECONOMIES** and wealth levels relative to the nation, solid financial positions, manageable debt profiles, and proactive management teams.

	Moody's	S&P	Fitch	
Top Tier "Highest Possible Rating"	Aaa	AAA	AAA	
2nd Tier "Very Strong"	Aa1	AA+	AA+	(Highest)
	Aa2	AA	AA	(Middle)
	Aa3	AA-	AA-	(Lowest)
3rd Tier "Strong"	A1	A+	A+	(Highest)
	A2	A	A	(Middle)
	A3	A-	A-	(Lowest)
4th Tier "Adequate Capacity to Repay"	Baa1	BBB+	BBB+	(Highest)
	Baa2	BBB	BBB	(Middle)
	Baa3	BBB-	BBB-	(Lowest)
Non-Investment Grade				

Why Obtain a Credit Rating?

Governments have an ongoing need to fund capital projects.

Issuing bonds to fund the capital projects allows for debt service to be paid over time, and those taxed, benefit from the use of those projects.

Obtaining a high-grade credit rating will help reduce debt service costs.

Why is Economic Development Important to Credit Ratings?

Moody's and S&P



Economy =
30% of Rating

Fitch



Economy =
Foundation of Rating

The Economy portion of the rating is based on credit metrics related to a government's tax base and wealth levels.

Tax Base



Source from which government
draws its revenues.



Goal: Highlight growth and
diversification of tax base.

Wealth Levels



Measure strength and resilience
of a tax base.



Goal: Highlight increases in wealth
levels and the driving factors
behind these increases.

Overview of Rating Process



Two Primary Documents

*Preliminary Official
Statement (POS)*

*Credit Rating
Presentation*

Preliminary Official Statement (POS)

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 23, 2023

New Issues – Book-Entry Only

In the opinion of Bond Counsel, (i) under existing statutes, regulations and decisions the Bonds, their transfer, the interest payable on them, and any income derived from them, including any profit realized in their sale or exchange, shall be exempt from taxation of any kind by the State of Maryland, any of its political subdivisions, or any other public entity; no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Bonds or the interest thereon; and (ii) assuming compliance with certain covenants described herein, under existing statutes, regulations and decisions, interest on the Bonds will be excludable from gross income for federal income tax purposes. Under existing law, interest on the Bonds for federal income tax purposes is not includable in alternative minimum taxable income of individuals as an enumerated item of tax preference or other specific adjustment; however, for taxable years beginning after December 31, 2022, interest on the Bonds will be part of adjusted financial statement income in computing the alternative minimum tax on applicable corporations. Additionally, interest on the Bonds will be subject to the branch profits tax imposed on certain foreign corporations engaged in a trade or business in the United States of America. See "Tax Matters."

\$87,035,000* General Obligation Bonds



RATINGS: (See the section "RATINGS")
 Fitch Ratings:AAA
 Moody's Investors Service:Aaa
 S&P Global Ratings:AAA

\$71,265,000* Consolidated Public Improvement Project Bonds, 2023 Series A
 \$15,770,000* Metropolitan District Project Bonds, 2023 Series B

Dated: Date of Delivery **Due:** August 15, as shown herein

Payable: Interest on and principal of the Bonds will be paid by the County to The Depository Trust Company ("DTC"), New York, New York, as securities depository. Disbursement of such payments will be made by DTC to its Participants which in turn will provide for payment to the Beneficial Owners of the Bonds, all as described herein. Beneficial Owners will not receive certificates evidencing their interests in Bonds purchased.

Redemption: The Bonds maturing on and after August 15, 2033* are subject to optional redemption on or any time after August 15, 2032* as set forth herein.

Purpose: Proceeds of the Bonds are being used to (1) pay or reimburse the County for the cost of certain Public Improvements, (2) repay all or a portion of the County's outstanding general obligation bond anticipation notes, and (3) pay costs of issuance related to the Bonds.

Security: The Bonds are general obligations of the County, and its full faith and credit and unlimited taxing power are irrevocably pledged to the punctual payment of principal of and interest on the Bonds when due.

Denomination: Integral multiples of \$5,000
Interest Payable: February 15 and August 15
First Interest Payment Due: August 15, 2023

FOR MATURITY SCHEDULES SEE INSIDE COVER

This cover page contains information for quick reference only. It is not a summary of the Bonds. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds are offered for delivery when, as and if issued, subject to the approving opinions of McKennon Shelton & Henn LLP, Baltimore, Maryland, Bond Counsel, and certain other conditions. Davenport & Company, Towson, Maryland, served as financial advisor to the County in connection with the issuance of the Bonds. The Bonds in definitive form will be available for delivery through the facilities of DTC on or about March 21, 2023.

*Preliminary, subject to change.

Informational document about government that is fact-based.

Released to market prior to bond sale.

Used by investors to determine risk.

Economic Development: Contribution to POS

General Overview of Economic Development and Vision for Future

Project List
(Recently Completed or Upcoming)

Economic and Demographic Information

2020-2022 New and Expanding Companies

Company	Activity	Investment	New Jobs Created
2022			
Aldi	Attraction	\$1,850,000	20
Retail			
Berkshire Hathaway	Attraction	\$500,000	8
Professional Services			
Fanatics	Attraction	\$15,500,000	120
Distribution			
Flying Point Marina	Expansion	\$500,000	--
Retail			
Gabe's	Attraction	\$491,000	20
Retail			
Lib's Grill	Attraction	\$400,000	10
Retail			
Mattingly Electric	Expansion	\$1,000,000	11
Construction			
Repurpose Aggregates	Attraction	\$14,000,000	--
Construction			
United Parcel Service (UPS)	Expansion	\$450,000	--
Distribution			
Webstaurant	Attraction	\$4,000,000	40
Distribution			
Worthington Armstrong Venture (WAVE)	Expansion	\$25,000,000	--
Manufacturing			

Ten Largest Employers in Frederick County

Employer	Principal Products or Activities	Employees
Fort Detrick	Research Telecommunications	10,200*
Frederick County Board of Education	Education	6,585
Frederick Health Hospital (formerly Frederick Memorial Healthcare System)	Comprehensive Healthcare	3,275
Frederick County Government	Local Government	2,396
Leidos Biomedical (formerly SAIC-Frederick)	Medical Research	2,341
Frederick Community College	Education	1,251
Thermo Fisher Scientific (formerly Life Technologies)	Life Sciences Research	950
Frederick City Government	Local Government	841
Costco Wholesale	Wholesale Distribution Center and E-commerce Center	740
AstraZeneca	Research-Based BioPharmaceuticals	700

* Includes military personnel, contractors and offsite annex

Source: Frederick County Office of Economic Development.

Credit Rating Presentation

FREDERICK COUNTY, MARYLAND RATING AGENCY PRESENTATION

APRIL 2023



Opportunity to tell government's story.

Expands on facts provided in POS.

Provides analysts information needed to assign rating.

Economic Development's Contribution to Credit Presentation

General Information on Economy/Demographics

Pillars of Stability

(Government, College/University, etc.)

Targeted Industry Sectors

Project Highlights

(Include investment amount, jobs created, and completion date)

Vision for Future of Economic Development

Pictures are essential to help bring the credit presentation to life!

Rating Agency Interaction – Virtual Meeting

Purpose of Meeting



Virtual Update to Rating Analysts using Credit Presentation as the basis for discussion.*

* Instead of a Credit Presentation, a government can request a list of questions in advance of the virtual meeting from the rating analyst. The government's responses to these questions could be reviewed during the virtual meeting.

Role of Economic Development



Present Slides related to Economy/Economic Development and respond to any relevant questions.

Rating Agency Interaction – In-Person Meeting

Purpose of Meeting



In-Person Update in NYC to Rating Analysts using Credit Presentation as the basis for discussion.

Role of Economic Development



Present Slides related to Economy/Economic Development and respond to any relevant questions.

Meeting with the rating agencies in-person allows for a more interactive conversation and helps establish/build a relationship.

Rating Agency Interaction – Issuer Visit

Purpose of Meeting



Rating Analysts visit local government to see Economy/Economic Development firsthand*.

* Issuer Visits are recommended if there has been significant economic growth that a government wants to highlight and there has been some time since last issuer visit.

Role of Economic Development



Plan a Rating Tour, Present Slides related to Economy/Economic Development, and Respond to any relevant questions.

An Issuer Visit provides a different perspective to the rating analysts that cannot be captured in a presentation.

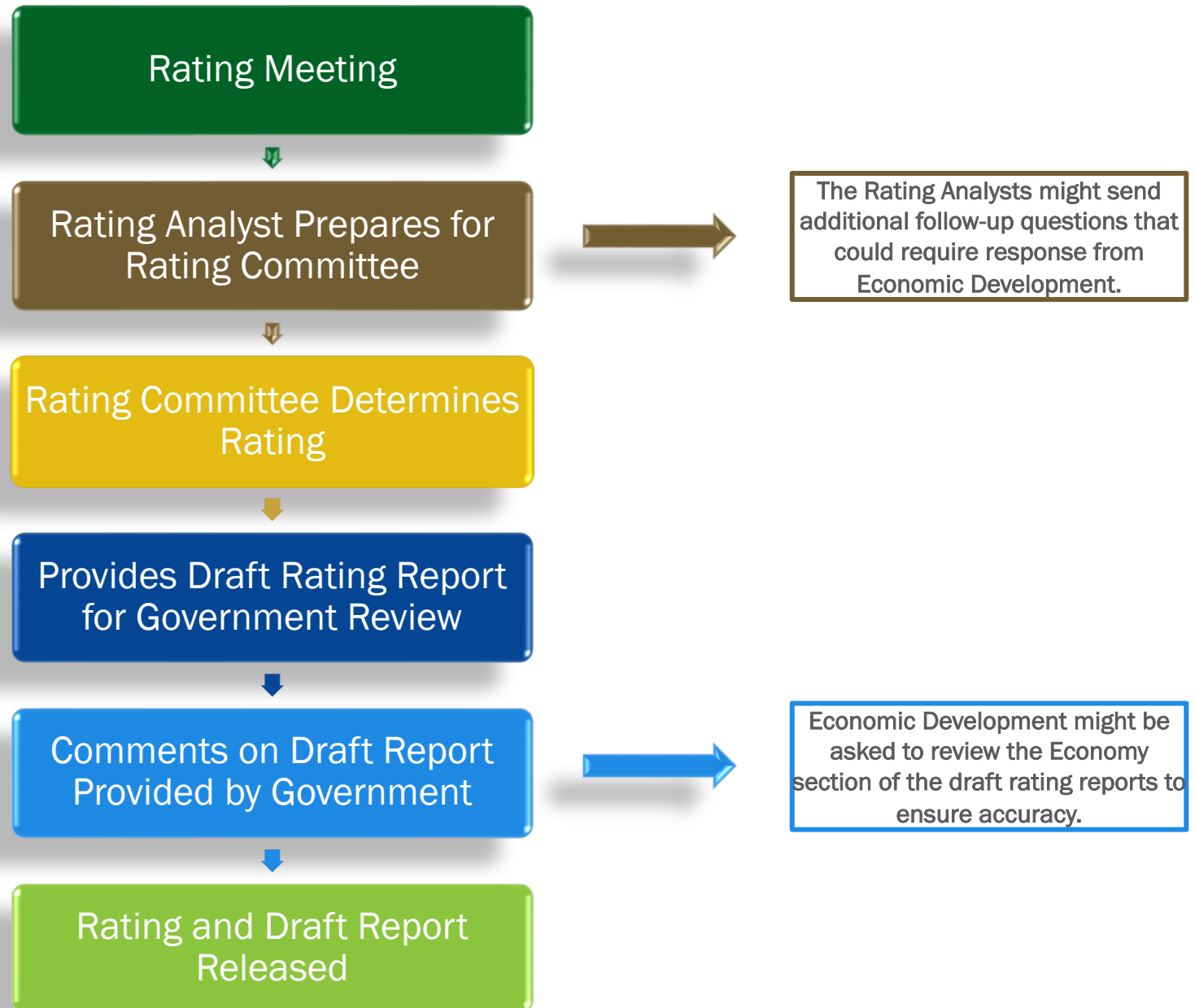
Economic Development plays a major role in preparing for an Issuer Visit.

Plan Bus Tour of Government Highlights
(1.5-2 Hours in Length)

Help Select Meal Locations (Lunches and Dinners)

Invite Business/Community Leaders to Participate in
Tour/Meals

Rating Assignment & Rating Report



How Can Ratings Benefit Economic Development?

Use ratings as a marketing tool to attract/retain business.

Businesses understand the importance of credit ratings.

A high-grade credit rating signals a strong, fiscally responsible partner.

Rating provides insight into strength of tax base/population needed to support business.

Questions?

Jennifer L. Diercksen

Senior Vice President

Davenport & Company LLC – Public Finance

8600 LaSalle Road

The Oxford Building, Suite 618

Towson, MD 21286

(w) 410-296-9426

(m) 804-297-9050

jdiercksen@investdavenport.com

Disclaimer



The U.S. Securities and Exchange Commission (the “SEC”) has clarified that a broker, dealer or municipal securities dealer engaging in municipal advisory activities outside the scope of underwriting a particular issuance of municipal securities should be subject to municipal advisor registration. Davenport & Company LLC (“Davenport”) has registered as a municipal advisor with the SEC. As a registered municipal advisor Davenport may provide advice to a municipal entity or obligated person. An obligated person is an entity other than a municipal entity, such as a not for profit corporation, that has commenced an application or negotiation with an entity to issue municipal securities on its behalf and for which it will provide support. If and when an issuer engages Davenport to provide financial advisory or consultant services with respect to the issuance of municipal securities, Davenport is obligated to evidence such a financial advisory relationship with a written agreement.

When acting as a registered municipal advisor Davenport is a fiduciary required by federal law to act in the best interest of a municipal entity without regard to its own financial or other interests. Davenport is not a fiduciary when it acts as a registered investment advisor, when advising an obligated person, or when acting as an underwriter, though it is required to deal fairly with such persons,

This material was prepared by public finance, or other non-research personnel of Davenport. This material was not produced by a research analyst, although it may refer to a Davenport research analyst or research report. Unless otherwise indicated, these views (if any) are the author’s and may differ from those of the Davenport fixed income or research department or others in the firm. Davenport may perform or seek to perform financial advisory services for the issuers of the securities and instruments mentioned herein.

This material has been prepared for information purposes only and is not a solicitation of any offer to buy or sell any security/instrument or to participate in any trading strategy. Any such offer would be made only after a prospective participant had completed its own independent investigation of the securities, instruments or transactions and received all information it required to make its own investment decision, including, where applicable, a review of any offering circular or memorandum describing such security or instrument. That information would contain material information not contained herein and to which prospective participants are referred. This material is based on public information as of the specified date, and may be stale thereafter. We have no obligation to tell you when information herein may change. We make no representation or warranty with respect to the completeness of this material. Davenport has no obligation to continue to publish information on the securities/instruments mentioned herein. Recipients are required to comply with any legal or contractual restrictions on their purchase, holding, sale, exercise of rights or performance of obligations under any securities/instruments transaction.

The securities/instruments discussed in this material may not be suitable for all investors or issuers. Recipients should seek independent financial advice prior to making any investment decision based on this material. This material does not provide individually tailored investment advice or offer tax, regulatory, accounting or legal advice. Prior to entering into any proposed transaction, recipients should determine, in consultation with their own investment, legal, tax, regulatory and accounting advisors, the economic risks and merits, as well as the legal, tax, regulatory and accounting characteristics and consequences, of the transaction. You should consider this material as only a single factor in making an investment decision.

The value of and income from investments and the cost of borrowing may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions or companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance and estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes or to simplify the presentation and/or calculation of any projections or estimates, and Davenport does not represent that any such assumptions will reflect actual future events. Accordingly, there can be no assurance that estimated returns or projections will be realized or that actual returns or performance results will not materially differ from those estimated herein. This material may not be sold or redistributed without the prior written consent of Davenport.

Version 01/01/2023 JD/SO/JM