

Rating Action: Moody's assigns Aa3 to Scarborough, ME GOs

25 Jun 2020

New York, June 25, 2020 -- Moody's Investors Service has assigned a Aa3 rating to the town of Scarborough, Maine's \$2.7 million 2020 General Obligation Refunding Bonds - Series A and \$22.2 million 2020 General Obligation Refunding Bonds - Series B (Federally Taxable). Additionally, Moody's maintains the Aa3 rating on the town's outstanding general obligation limited tax (GOLT) debt and the Aa3 issuer rating.

The issuer rating is our assessment of the credit of general obligation unlimited tax (GOULT) debt. We consider the pledge supporting the current issue and outstanding bonds to be GOLT based on limitations under state law on the town's authority to increase property taxes to pay debt service. Bonds issued for school improvements are not subject to the state's property tax limits.

RATINGS RATIONALE

The Aa3 rating reflects the town's moderately sized tax base with above average wealth levels, improving financial position with satisfactory reserves, and manageable debt and pension liabilities.

The rating on the GOLT debt is the same as the issuer rating based on the town's explicit pledge of its full faith and credit to pay debt service.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The coronavirus crisis is not a key driver for this rating action. We do not see any material immediate credit risks for Scarborough, ME. However, the situation surrounding coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of Scarborough, ME changes, we will update the rating and/or outlook at that time.

RATING OUTLOOK

Moody's does not usually assign outlooks to local government credits with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Multi-year trend of surplus operations leading to a large increase in liquidity and reserves
- Elimination of the interfund loan receivable related to the Haigis Parkway TIF District

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Trend of operating deficits resulting in reserve declines
- Material increase in the General Fund receivable due from the Haigis Parkway TIF fund
- Trend of tax base declines or deterioration of the demographic profile
- Material growth in debt burden

LEGAL SECURITY

Debt service is secured by the town's general obligation limited tax pledge as debt service is subject to the state's statutory property tax limitation known as LD-1, except for debt issued for school projects.

USE OF PROCEEDS

Bond proceeds will refinance various capital improvement and school projects around the town.

PROFILE

Scarborough has a population of 19,620 and is located on the southern coast of Maine, approximately 7 miles south of Portland.

METHODOLOGY

The principal methodology used in these ratings was US Local Government General Obligation Debt published in September 2019 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1191097. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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