

CREDIT OPINION

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Cumberland County, ME

Update to credit analysis

Summary

[Cumberland County, ME's](#) (Aa2 issuer and GOLT) credit profile is supported by a diverse and robust local economy which includes Portland, the county seat and primary economy of the state. The county's conservative budgetary practices have resulted in healthy reserves and liquidity, despite some credit pressure from jail and arena operations. Leverage and fixed costs are moderate and expected to remain manageable inclusive of future plans.

Credit strengths

- » Strong economy driven by Portland-area growth
- » Healthy fund balance and liquidity
- » Manageable long term liabilities and fixed costs

Credit challenges

- » Moderate enterprise risk from Civic Center operations
- » Difficulty filling jail vacancies

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

- » Reserve and liquidity growth
- » Stable operations of jail and enterprises

Factors that could lead to a downgrade

- » Contraction of local economy
- » Depletion of reserves or liquidity

Key indicators

Exhibit 1

Cumberland (County of) ME

	2019	2020	2021	2022	Aa Medians
Economy					
Resident income ratio (%)	119.9%	114.0%	114.9%	N/A	97.7%
Full Value (\$000)	\$44,050,350	\$50,417,650	\$53,139,300	\$56,590,050	\$8,453,079
Population	292,307	294,520	300,776	N/A	90,103
Full value per capita (\$)	\$150,699	\$171,186	\$176,674	N/A	\$96,018
Economic growth metric (%)	N/A	1.3%	1.3%	N/A	-0.5%
Financial Performance					
Revenue (\$000)	\$62,036	\$62,716	\$85,601	\$95,375	\$92,906
Available fund balance (\$000)	\$5,102	\$7,663	\$7,938	\$15,539	\$38,190
Net unrestricted cash (\$000)	\$11,630	\$14,387	\$47,776	\$77,425	\$53,439
Available fund balance ratio (%)	8.2%	12.2%	9.3%	16.3%	39.4%
Liquidity ratio (%)	18.7%	22.9%	55.8%	81.2%	62.6%
Leverage					
Debt (\$000)	\$36,125	\$33,760	\$31,416	\$30,491	\$46,481
Adjusted net pension liabilities (\$000)	\$52,200	\$74,957	\$52,072	\$37,546	\$93,617
Adjusted net OPEB liabilities (\$000)	\$4,326	\$3,697	\$4,027	\$3,017	\$8,526
Other long-term liabilities (\$000)	\$1,795	\$1,967	\$2,138	\$2,034	\$4,025
Long-term liabilities ratio (%)	152.2%	182.4%	104.7%	76.6%	186.7%
Fixed costs					
Implied debt service (\$000)	\$2,851	\$2,634	\$2,418	\$2,204	\$3,326
Pension tread water contribution (\$000)	\$0	\$0	\$0	N/A	\$2,307
OPEB contributions (\$000)	\$116	\$111	\$137	\$112	\$186
Implied cost of other long-term liabilities (\$000)	\$130	\$131	\$141	\$150	\$264
Fixed-costs ratio (%)	5.0%	4.6%	3.1%	2.6%	7.2%

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#).

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Portland-South Portland, ME Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

[1] 2022 net ARPA proceeds (\$000s): \$66,725 revenue, \$15,539 or 23.3% available fund balance and \$23,095 or 34.6% liquidity

Sources: US Census Bureau, Cumberland (County of) ME's financial statements and Moody's Investors Service, US Bureau of Economic Analysis

Profile

Cumberland County is located on the Atlantic coast of southern [Maine](#) (Aa2 positive). [Portland](#) (Aa1 stable), the county seat and largest city in the state, is situated approximately 45 miles north of the [New Hampshire](#) (Aa1 stable) state line. As of 2021, the county's population was about 301,000 residents.

Detailed credit considerations

Cumberland County, ME derives significant credit strength from the growth and diversity of the Portland metro area, which is the economy center for the State of Maine. The county's robust economy is reflected in its strong economic growth metric, above average resident incomes and growing full value per capita. Increased demand for residential and commercial property in the Portland area is likely to remain strong in the medium term. Demand for residential has resulted in housing price increases, particularly as out-of-state moves from New York City and Boston have remained strong post-pandemic.

Cumberland County's financial position is expected to remain strong given the county's conservative budget management. As of fiscal 2022 the county had about \$27.9 million in its ARPA fund which will be expended before the 2026 deadline. Even after netting out the ARPA Fund from revenue, fund balance and cash calculations, the county's reserves and liquidity are very healthy and appropriate for the rating category. Fiscal 2023, which was only six months as the county changed its fiscal year to a June year end, ended with a \$500,000 surplus in the general fund.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

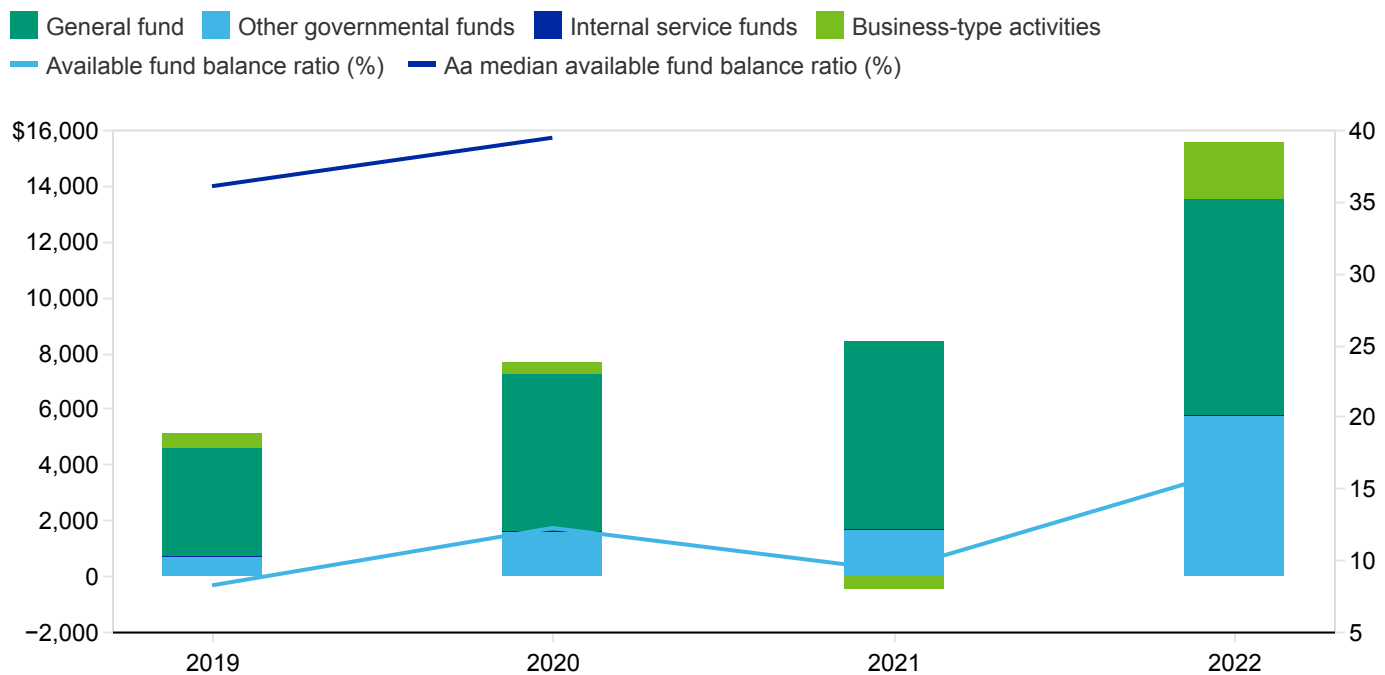
There are no material deviations in revenue or expenditure composition in the 2024 budget. The Cross Insurance Arena, which is an enterprise fund of the county, is typically operationally balanced however debt service from a 2012 issuance is covered by the general fund. The county has also been able to increase staffing for its jails; understaffing resulted in the movement of federal detainees out of the county. Management expects to remand federal detainees if staffing remains stable, which will provide some new revenue.

The county's leverage will remain fairly stable as the county plans to regularly issue between \$2 and \$3 million annually or biannually. While management recognizes the county has fiscal capacity to take on more debt, capital projects are pursued in a measured way to avoid overextending the county logistically. Additionally, the county looks to self-fund as much of its five year capital plan as possible. The ability to cash finance capital is largely dependent on the extent of the year-end surplus.

Exhibit 2

Fund Balance - Healthy reserves bolstered by ARPA proceeds; net ARPA proceeds cash remains appropriate for rating category

Available fund balance and net unrestricted assets including ARPA proceeds

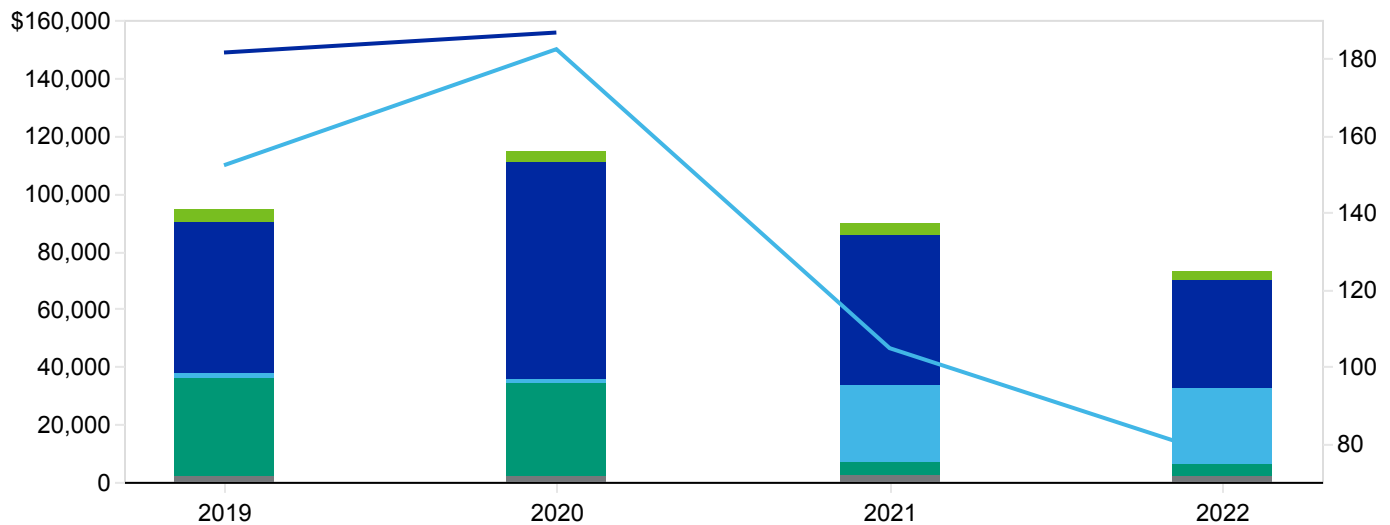


Source: Source: Cumberland (County of) ME's financial statements and Moody's Investors Service

Exhibit 3

Total Primary Government - Long Term Liabilities

■ Governmental Debt ■ Business-Type Activity Debt ■ Adjusted net pension liabilities
 ■ Adjusted net other post-employment liabilities ■ Other long-term liabilities — Long-term liabilities ratio (%)
 — Aa median long-term liabilities ratio (%)



Source: Source: Cumberland (County of) ME's financial statements and Moody's Investors Service

ESG considerations**Cumberland (County of) ME's ESG Credit Impact Score is Neutral-to-Low CIS-2**

Exhibit 4

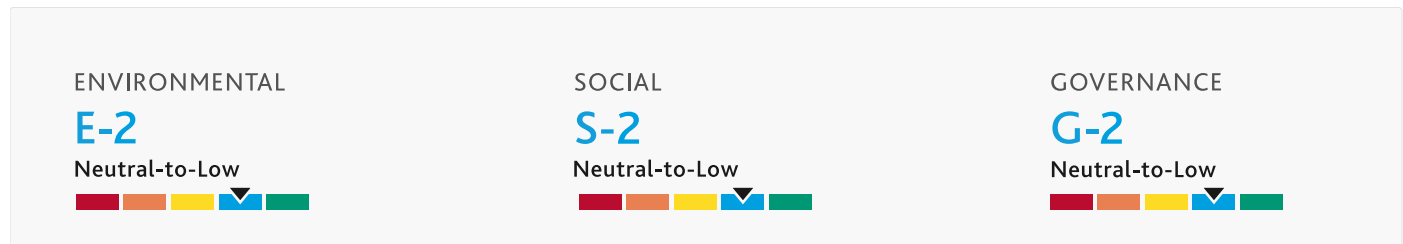
ESG Credit Impact Score**CIS-2****Neutral-to-Low**

For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

Source: Moody's Investors Service

The county's ESG credit impact score is neutral to low (CIS 2), reflecting neutral to low exposure to environmental, social and governance risks that support the county's credit rating, resilience and capacity to respond to shocks.

Exhibit 5

ESG Issuer Profile Scores

Source: Moody's Investors Service

Environmental

The county's **E-2** environmental issuer profile score reflects neutral to low exposure to environmental risks. The county's carbon transition, natural capital, and water and pollution risks are modest. Given the county's geographical location, physical climate risk is also neutral to low with no material exposure to sea level rise and moderate exposure to shocks from extreme weather events such as hurricanes and nor-easters.

Social

The county's **S-2** social issuer profile score reflects neutral to low exposure to social risks. While the county's exposure to demographic risks is moderate, exposure to labor and income, education, housing, healthy and safety, and access to basic services are neutral to low.

Governance

The county's **G-2** governance issuer profile score reflects neutral to low exposure to risks associated with governance. The county benefits from a strong state-wide institutional framework. However, the county's exposure to jail operations have resulted in weak operating results in recent years and the county relies on TAN borrowing to manage its cash flow needs.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The US Cities and Counties Rating Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 6

Cumberland (County of) ME

	Measure	Weight	Score
Economy			
Resident income ratio	114.9%	10.0%	Aa
Full value per capita	216,999	10.0%	Aaa
Economic growth metric	1.3%	10.0%	Aaa
Financial Performance			
Available fund balance ratio	16.3%	20.0%	A
Liquidity ratio	81.2%	10.0%	Aaa
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	76.6%	20.0%	Aaa
Fixed-costs ratio	2.6%	10.0%	Aaa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa2
Assigned Rating			Aa2

The complete list of outstanding ratings assigned to the Cumberland (County of) ME is available on their [issuer page](#). Details on the current ESG scores assigned to the Cumberland (County of) ME are available on their [ESGView page](#).

Sources: US Census Bureau, Cumberland (County of) ME's financial statements and Moody's Investors Service

Appendix

Exhibit 7

Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
Financial performance		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
Leverage		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
Fixed costs		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Investors Service
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US City and Counties Methodology](#).

Source: Moody's Investors Service

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