

Credit Highlights

- S&P Global Ratings assigned its 'AA+' rating to Cumberland County, Maine's roughly \$3.8 million series 2023 general obligation (GO) public-improvement bonds.
- At the same time, S&P Global Ratings affirmed its 'AA+' rating on the county's existing GO debt.
- The outlook is stable.

Security

The county's full-faith-and-credit pledge secures the bonds.

Officials intend to use series 2023 bond proceeds to finance county-jail improvements.

Credit overview

The county, in southern Maine, encompasses 28 municipalities, including Portland, the largest metropolitan area north of Boston. Portland is a regional center of industry, finance, and commerce for northern New England. The county acts as one of the state's main economic hubs. The economy remains very strong, and since 2020, total market value has grown by 29%, driven partially by residential growth due to an influx of residents since the onset of COVID-19. We expect the economy will likely remain very strong.

Finances have been strong, in our view, over several fiscal years, which has led to stronger reserves and overall liquidity. In fiscal 2022, the county produced its fifth-consecutive audited surplus, strengthening reserves and liquidity. Reserves have grown by more than \$2 million during the past three fiscal years, and the county does not expect a significant use of reserves. The county is shifting to a fiscal start date of July 1; for the first six months of calendar 2023, the county operated on a six-month bridge budget designed to sustain all county services through the transition. County-provided data indicate the county did not use budgeted fund-balance appropriation. Expenditures were underbudget, allowing for a net fund balance increase.

The fiscal 2024, \$51.4 million budget is a 10% increase over the fiscal 2022 budget, including a new Freedom of Information Act clerk position and a pay increase for nonunion employees that should help retain and attract employees. The county is especially focused on improving staffing at the county's jail, and unfilled positions have been a source of expenditure savings for the county.

After this series 2023 issuance, the county has about \$42.8 million in direct debt outstanding, including \$7.5 million in tax anticipation notes, which the county has issued annually because it collects the majority of revenue--a levy on municipal governments in the county--near fiscal year-end. The fiscal year shift will allow the county to phase out tax-anticipation-note issuances. The county currently plans to issue additional debt outside of the two-year outlook for roof replacement and the jail and courthouse, which we do not expect will have a meaningful effect on the liability profile.

We do not view pension costs as a long-term credit concern due to high funding, manageable liabilities, and overall low retirement costs. The county participates in the Maine Public Employees' Retirement System Consolidated Plan for Local Participating Districts (PLD) and is also a member of Maine Municipal Employees' Health Trust, and the county provides health-care benefits for certain retired employees. Eligible retirees pay 100% of health-insurance premiums to receive health benefits. Therefore, county contributions represent an implicit rate subsidy.

The rating reflects our assessment of the county's:

- Growing local economy including the Portland-South Portland MSA, which we consider broad and diverse with commercial and residential development and a tourism industry that has recovered from COVID-19;

- Consistently positive budgetary performance due to conservative budgeting and expenditure savings, which should continue as the county shifts its fiscal year despite challenges related to COVID-19 operation disruption at the arena and jail;
- Good financial-management policies, practices under our Financial Management Assessment (FMA) methodology, including its multiyear capital-improvement plan that it updates annually and monthly budget monitoring and reporting to elected officials, with no long-term financial planning or debt-management policy in place, and strong Institutional Framework score; and
- Manageable debt with additional plans to borrow for jail and court-facility improvements and affordable retirement costs.

Environmental, social, and governance

We have analyzed environmental, social, and governance (ESG) risks relative to the county's economy, management, financial measures, and debt-and-liability profile. We have determined environmental factors are elevated due to the county's coastal location, which poses both physical risk from coastal flooding and chronic risks from sea-level rise that could directly affect taxable properties; the county and county communities plan to implement resiliency efforts to help reduce potential effects. We view governance and social risks as neutral in our rating analysis.

Outlook

The stable outlook reflects S&P Global Ratings' opinion of the county's strong budgetary performance and flexibility, coupled with a very strong local economy and our expectation that management will likely maintain balanced operations.

Downside scenario

We could lower the rating if budgetary performance were to weaken, resulting in significant reserve drawdowns.

Upside scenario

We could raise the rating if income were to improve and if management were to adopt more-formal management policies and procedures while maintaining at least, breakeven financial results as the county transitions its fiscal year and builds up jail staffing.

Key Credit Metrics - Cumberland County				
	Most recent	Historical information		
		2022	2021	2020
Very strong economy				
Projected per capita EBI % of U.S.	124			
Market value per capita (\$)	215,119			
Population		303,405	297,006	295,616
County unemployment rate(%)		2.4		
Market value (\$000)	65,268,050	56,590,050		
Ten largest taxpayers % of taxable value	6.5			
Strong budgetary performance				
Operating fund result % of expenditures		4.6	4.5	8.0
Total governmental fund result % of expenditures		65.1	72.5	11.1
Very strong budgetary flexibility				
Available reserves % of operating expenditures		35.5	33.1	25.1
Total available reserves (\$000)		7,758	6,766	5,678
Very strong liquidity				
Total government cash % of governmental fund expenditures		111	97	29
Total government cash % of governmental fund debt service		7071	5935	442
Strong management				
Financial Management Assessment	Good			
Very strong debt & long-term liabilities				
Debt service % of governmental fund expenditures		1.6	1.6	6.5
Net direct debt % of governmental fund revenue	39			
Overall net debt % of market value	1.3			
Direct debt 10-year amortization (%)	59			
Required pension contribution % of governmental fund expenditures		4.3		
OPEB actual contribution % of governmental fund expenditures		0.1		
Strong institutional framework				
EBI--Effective buying income. OPEB--Other postemployment benefits.				
Data points and ratios may reflect analytical adjustments.				