

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's assigns Aaa to the City of South Portland, ME's GOs; stable outlook

15 Mar 2022

New York, March 15, 2022 -- Moody's Investors Service has assigned a Aaa rating to the City of South Portland, Maine's \$67.5 million 2022 General Obligation Bonds - Series A, \$4.5 million 2022 General Obligation Bonds (Federally Taxable) - Series B, and \$6 million 2022 General Obligation Refunding Bonds - Series C. Additionally, Moody's maintains the city's outstanding Aaa issuer rating and the Aaa rating on the city's outstanding general obligation limited tax bonds. The outlook is stable. As of June 30, 2021, the city had approximately \$47.7 million in net direct debt outstanding.

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 city'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 Aaa rating reflects the city's growing, stable, and diverse tax base with average wealth levels, very well-managed financial position, and low long term liabilities including debt, pension, and OPEB.

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

RATINGS OUTLOOK

The stable outlook reflects our expectation of continued stability in the city's financial position driven by conservative budgeting and adherence to formal policies.

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Trend of operating deficits resulting in reserve declines
- Significant declines in the tax base or contraction of the regional economy
- Material growth in debt burden

LEGAL SECURITY

Debt service is secured by the city'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

Series A proceeds will finance ongoing construction of a middle school project. However, the city is only responsible for about \$8 million of the total costs of the school project, with the state of Maine expected to pay for the remainder. The Series B bonds are financing the acquisition of real property located within the city to be used as open space for access, recreation, and conservation of natural resources. Finally, the Series C bonds will refund the city's outstanding 2012 bonds.

PROFILE

South Portland is the fourth largest city in Maine with a population of 26,498. The city is located on the southern coast of Maine in Cumberland County (Aa2).

METHODOLOGY

The principal methodology used in these ratings was US Local Government General Obligation Debt published

in January 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1260094. 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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