

# RatingsDirect®

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## Summary:

### Portland, Maine; General Obligation; Joint Criteria; Water/Sewer

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Summary:

Portland, Maine; General Obligation; Joint Criteria; Water/Sewer

Credit Profile		
US\$20.04 mil 2025 GO bnds due 07/15/2045		
Long Term Rating	AAA/Stable	New
Portland GO		
Long Term Rating	AAA/Stable	Affirmed
Portland JOINTCRIT		
Long Term Rating	AAA/A-1	Affirmed
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AAA' long-term rating to the City of Portland, Maine's \$20.04 million series 2025 general obligation (GO) bonds.
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on the city's previously issued GO bonds.
- In addition, S&P Global Ratings affirmed its 'AAA/A-1' joint-support rating on the city's series 2001 multimodal taxable GO pension bonds.
- The outlook, where applicable, is stable.
- The rating reflects the application of our "Methodology For Rating U.S. Governments" criteria, published Sept. 9, 2024, on RatingsDirect.

Security

The city's full-faith-and-credit pledge secures the bonds and existing GO debt. The city's GO debt is no longer subject to Maine's LD-1 limitations, as the legislature's repeal of the municipal property tax levy limit became effective Aug. 9, 2024. Bond proceeds will be used to finance various capital improvement projects including investments in the city's public art and land bank programs.

Credit overview

The long-term rating reflects the city's solid management profile and good fiscal control, which have supported a trend of surplus operations and maintenance of reserves in excess of the city's reserve policy. In our view, the city's debt profile is manageable even after accounting for additional debt issuances planned.

Portland is in southern Maine along the Atlantic Coast. Portland's harbor and deep-water port allow for an active commercial fishing and shipping industry and provide tourism activity as a cruise-ship destination in the summer. However, county economic output is primarily driven by finance, insurance, and professional and business services sectors. The city is undergoing a large mixed-use development project along the eastern waterfront, Portland Foreside,

and Northeastern University Roux Institute, a hub for education and research regarding AI and other high-tech, high-growth fields, is expanding its campus through 2027. The city has a tax base revaluation planned for 2026, the second revaluation in a five-year period, with growth contributing to an estimated \$20 billion market value.

While we do not foresee immediate pressure on the city's top employers or taxpayers, we are monitoring changes in macroeconomic conditions that could have downstream effects on the city. Furthermore, our economic outlook calls for lower growth, higher unemployment rates, and prolonged inflation--all of which could weigh on U.S. local governments nationally. (For more information on our view of macroeconomic conditions, see "'Liberation Day' Tariff Announcements: First Take On What It Means For U.S. And Global Outlook," published April 3, 2025.)

The city plans to issue \$20 million-\$25 million for general capital improvement projects during the next two years; however, we don't anticipate the debt profile will deteriorate because debt retiring within the next two years exceeds the proposed additional debt. Portland's series 2001 variable-rate pension obligation bonds (POBs), direct-pay standby letter of credit enhancement provided by T.D. Bank N.A., and corresponding floating-to-fixed-rate swap agreement with The Bank of New York Mellon Corp. is due to mature in 2026. Retirement of the series 2001 POB in 2026 will free up \$22 million in the city's debt service costs and overall budget flexibility. The city has \$11 million in debt service reserves to mitigate increases in annual debt service costs and generate taxpayer savings through maturity.

The rating reflects our view of the following credit factors:

- Portland is one of the state's strongest economic engines with health care, financial services, higher education, and retail development. The city is experiencing modest growth with strong economic output relative to the national level but local incomes that are moderately weaker than Cumberland County's.
- Well-embedded policies and practices are in place, including conservative budget assumptions, and monthly budget-to-actual reporting to city council. The city also maintains an internal five-year long-term financial plan to assist in building the operating budget and maintains a formal five-year capital improvement plan that is reviewed annually with costs and funding sources identified. It also has its own formal investment policy, a debt management policy that includes maximum debt service costs relative to the budget and per capita incomes, and a formal reserve policy calls for an unassigned general fund balance equal to 16.7% of expenditures based on cash flow needs.
- The city has ample budget flexibility, as evidenced by positive operating performance and growth in reserves to meet growing budget demands. For fiscal 2025, officials project a \$10 million operating fund surplus primarily due to favorable revenue variances in property tax revenues and expenditure savings due to vacancies. The 2026 budget is balanced and accounts for inflationary increases in expenditures. The city may use portions of surplus operations for capital needs when reserves exceed the reserve policy.
- Fixed costs are manageable, and while debt per capita is elevated, we believe it is manageable relative to the tax base. Furthermore, the city's pension and other postemployment benefits liabilities are manageable and adequately funded.
- For more information on our institutional framework assessment for Maine municipalities, see "Institutional Framework Assessment: Maine Local Governments," published Sept. 10, 2024, on RatingsDirect.

### **Environmental, social, and governance**

We view Portland's environmental risks as elevated due to its coastal location. The city participates in a joint climate action plan, One Climate Future, with South Portland. Management has been active in addressing concerns related to

rising sea levels that could directly affect taxable properties. In January 2024, the city realized an estimated \$8 million in property damage in Peak Island due to storm surge that will be obligated by the end of the summer. The city has a social opportunity due to relocation of migrants from other countries. We believe this could indirectly lead to greater economic opportunities but has also resulted in affordable housing needs. In our view, the city's governance profile is credit neutral.

### Rating above the sovereign

Portland's GO bonds are eligible to be rated above the sovereign because we believe the city can maintain better credit characteristics than the U.S. in a stress scenario. The city has a predominately locally derived revenue source, with 56% of governmental activity revenue derived from local taxes, with independent taxing authority and independent treasury management from the federal government.

## Outlook

The stable outlook reflects our opinion of Portland's historically positive operating performance and ongoing commitment to maintaining reserves, supported by strong economic output and incomes.

### Downside scenario

If the economic profile deteriorates materially, the city's operating performance becomes strained, or reserves deteriorate substantially, we could lower the rating.

**Table 1**

Portland, Maine--credit summary	
Institutional framework (IF)	1
Individual credit profile (ICP)	1.99
Economy	2.0
Financial performance	2
Reserves and liquidity	1
Management	1.70
Debt and liabilities	3.25

**Table 2**

Portland, Maine--key credit metrics				
	Most recent	2024	2023	2022
<b>Economy</b>				
Real GCP per capita % of U.S.	--	--	129	127
County PCPI % of U.S.	--	--	122	120
Market value (\$000s)	--	14,872,866	14,641,408	14,621,612
Market value per capita (\$)	--	215,109	211,762	213,635
Top 10 taxpayers % of taxable value	--	6.2	6.3	6.4
County unemployment rate (%)	--	2.6	2.2	2.3
Local median household EBI % of U.S.	--	--	97	97
Local per capita EBI % of U.S.	--	--	120	120
Local population	--	--	69,141	68,442

Table 2

Portland, Maine--key credit metrics (cont.)				
	Most recent	2024	2023	2022
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	381,213	360,859	338,668
Operating fund expenditures (\$000s)	--	357,695	340,491	334,760
Net transfers and other adjustments (\$000s)	--	(9,579)	(2,038)	1,050
Operating result (\$000s)	--	13,939	18,330	4,958
Operating result % of revenues	--	3.7	5.1	1.5
Operating result three-year average %	--	3.4	2.9	2.2
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	26.6	27.6	24.7
Available reserves (\$000s)	--	101,525	99,718	83,535
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	11.6	10.5	10.7
Net direct debt per capita (\$)	6,049	5,759	5,658	5,822
Net direct debt (\$000s)	418,212	398,172	391,226	398,446
Direct debt 10-year amortization (%)	68	49	--	--
Pension and OPEB cost % of revenues	--	3.0	3.0	3.0
NPLs per capita (\$)	--	463	463	454
Combined NPLs (\$000s)	--	32,034	32,034	31,071

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings Detail (As Of April 11, 2025)		
Portland GO		
Long Term Rating	AAA/Stable	Affirmed
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## Summary: Portland, Maine; General Obligation; Joint Criteria; Water/Sewer

### Ratings Detail (As Of April 11, 2025) (cont.)

Portland Wtr Dist wastewtr sys rev bnds

*Long Term Rating*

AAA/Stable

Affirmed

Portland Wtr Dist GO

*Long Term Rating*

AAA/Stable

Affirmed

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.spglobal.com/ratings](http://www.spglobal.com/ratings) for further information. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

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