

## **Agenda**

### **SCARBOROUGH FINANCE COMMITTEE MEETING**

**Wednesday – March 9, 2016**

**Council Chambers A**

**4:00 P.M.**

**Item 1.** Call to Order

**Item 2.** Those Present

**Item 3.** Public Comment

**Item 4.** Approval of Minutes -None

**Item 5.** Discussion with Financial Advisor on “Local Government Fiscal Management”

**Item 6.** Future Meeting Dates, Times & Items

**Item 11.** Adjourn.



**MOORS & CABOT**  
INVESTMENTS



**Presentation to the Finance Committee of  
the Town of Scarborough**

**“Local Government Fiscal Management”**

**March 9, 2016**

**Joseph P. Cuetara, Senior Vice President**



MOORS & CABOT  
INVESTMENTS



## **Value of Debt**

- Allocates annual cost of Project over its useful life
- Equity? ... A “CA\$H” outlay for the Project is paid by people who may not actually use it (move, pass, etc)
- Equity? ... “Users” pay for the use of the Project as it is being used
- Tax-exempt financing typically lower than “real” cost of inflation
- If financed by cash outlay than have asset ... but loss of current funds
- If financed with debt have disposable funds available AND have the asset



---

**STATUTORY DEBT LIMIT**

---

In accordance with Maine law, no municipality shall incur debt for specified purposes in excess of certain percentages of State valuation of such municipality. A summary of the Town's legal debt margin is as follows:

	June 30, 2015 outstanding bonds	Percent of 2015 State assessed value of \$ 3,667,300,000	Amount	Margin
For school purposes	\$ 63,043,357	10.00%	\$366,730,000	\$303,686,643
For storm or sanitary sewer	7,937,147	7.50%	275,047,500	267,110,353
For municipal airport, water and special district purposes	-	3.00%	110,019,000	110,019,000
For all other purposes	27,519,496	7.50%	275,047,500	247,528,004
<b>Total</b>	<b>\$ 98,500,000</b>			

The statutory debt limit according to State law is 15% of the State assessed value, which amounts to \$550,095,000. The total debt margin based on this limit is \$451,595,000.



## The Life of a Bond Financing ...

- ✓ Develop the structure of the issue;
- ✓ Determine the timing of the sale;
- ✓ Prepare the Preliminary Official Statement;
- ✓ Due diligence meetings in preparation of the Preliminary Official Statement;
- ✓ Arrange for the timely delivery of the financing documents;
- ✓ Assure the sale is well advertised;
- ✓ Distribute the financing documents to all prospective bidders, *The Bond Buyer*, KISI and Bloomberg;
- ✓ Secure CUSIP numbers for publication in the Preliminary Official Statement;
- ✓ Credit agency and Bond Insurance liaison;
- ✓ Bond Counsel liaison;
- ✓ Coordination with any State agencies;
- ✓ Paying Agent liaison;
- ✓ Coordinate the bid opening or the pricing, verification of the pricing;
- ✓ Notify the purchaser and the financial press of sale results and award details;
- ✓ Prepare the final Official Statement;
- ✓ Work with Bond Counsel to assure timely availability of bonds at settlement;
- ✓ Coordinate the closing with the purchaser;
- ✓ Arrange for certification of the issue and delivery of the bonds for pre-closing;
- ✓ Prepare the calculation and assist in the preparation of the IRS Form 8038-G;
- ✓ Forward a sufficient supply of final Official Statements to the purchaser
- ✓ File any Event Filings or Continuing Disclosure, as required, to EMMA.

# Bond Pricing

Interest rates ("Coupons") are assigned to each year of maturity to establish at what coupon, sold at what yield, generates a "Price" that, when minus 100.0% = a profit or breakeven (e.g.,  $101.847 - 100.000 \times \$10,000 = \$184.70$  profit).

The underwriter (the purchaser) decides at what "Yield" that they can sell the bonds to their client list.

Town of Cape Elizabeth, Maine  
2015 General Obligation Bonds  
(Library Project)  
Bond Production Report

Issued 8/15/2015  
Delivery 8/15/2015

Date	Principal	Bond Type	M/T	Coupons	Yield	Service	Yield to call	Gross Premium (or)
8/15/20	200,000.00	Standard	200	2.3000	0.1500	101.847		200,604.00
8/15/21	200,000.00	Standard	200	2.3000	0.2000	103.267		206,774.00
8/15/22	200,000.00	Standard	1200	2.3000	0.4000	104.154		208,312.00
8/15/23	200,000.00	Standard	1000	2.3000	0.5000	104.312		208,684.00
8/15/24	200,000.00	Standard	3000	2.3000	1.2000	103.871		207,742.00
8/15/25	200,000.00	Standard	4200	2.3000	1.4000	103.441		206,882.00
8/15/26	200,000.00	Standard	3000	2.3000	1.7000	101.571		203,942.00
8/15/27	200,000.00	Standard	7200	2.3000	1.5000	100.738		203,476.00
8/15/28	200,000.00	Standard	3000	2.2500	2.0500	101.456		203,372.00
8/15/29	200,000.00	Standard	11000	2.2500	2.1000	100.809		201,410.00
8/15/30	200,000.00	Standard	12000	2.2500	2.0000	99.216		198,832.00
8/15/31	200,000.00	Standard	15000	2.5000	2.4000	100.884	8/15/25 @ 100.000	203,700.00
8/15/32	200,000.00	Standard	13000	2.5000	2.5000	100.690		202,800.00
8/15/33	200,000.00	Standard	21000	2.7500	2.6000	101.313	8/15/25 @ 100.000	202,626.00
8/15/34	200,000.00	Standard	24000	2.7500	2.6500	100.873	8/15/25 @ 100.000	201,746.00
8/15/35	200,000.00	Standard	27000	2.7500	2.7500	100.690		200,800.00
8/15/36	200,000.00	Standard	30000	2.8750	2.6000	100.650	8/15/25 @ 100.000	200,404.00
8/15/37	200,000.00	Standard	32000	2.8750	2.9000	99.651		198,402.00
8/15/38	200,000.00	Standard	38000	3.0000	2.9500	100.330	8/15/25 @ 100.000	200,860.00
8/15/39	200,000.00	Standard	42000	3.0000	3.0000	100.690		200,958.00
<b>1,000,000.00</b>								<b>4,208,952.00</b>

Net Amount	4,208,952.00
Production	54,962.00
Gross Production	4,263,914.00
Bond Insurance	0.00
Underwriter Discount	54,962.00
Net	4,208,952.00
Accrued	0.00
Net to Issue	4,208,952.00
Gross Interest Cost	1,006,750.00
-Net Premium	0.00
Net Interest Cost	1,006,750.00
<b>W I C %</b>	<b>2.3875000</b> Using 100,000,000
<b>T I C %</b>	<b>2.3875000</b> from delivery date
Bond Years	40,000,000
Average Coupon	2.507500
Average Life	10.500000
Weighted Bond Years	40,341,000
Weighted Average Life	10.431491
Weighted W I C %	2.382537 Using 100,000,000

The underwriter then determines how much profit that they need for expenses and sale commissions.

The consolidated interest (e.g., \$1,056,750) over the life-span of the issue (e.g., 10.431491 weighted life) creates the Interest Rate (or True Interest Cost; "TIC").

Effective Cost of 10 basis points ("bps")			
\$ 1,000,000	10 years	3.00%	\$ 165,000.00
		3.10%	\$ 170,500.00
		<b>10 bps cost:</b>	<b>\$ 5,500.00</b>
\$ 1,000,000	20 years	3.00%	\$ 315,000.00
		3.10%	\$ 325,500.00
		<b>10 bps cost:</b>	<b>\$ 10,500.00</b>

# Maine Municipal Bond Bank

## Programs



(-) Market Rates + up to 75 bps penalty; (-) fund neg arb in DSRF; (-) imbedded C of I; Non-callable

### GENERAL RESOLUTION PROGRAM

For municipalities, schools districts, water districts, sewer districts and other local governments requesting loan financing through the General Resolution program. Under this tax-exempt bond financing program, the proposed debt will be paid from a General Resolution pledge of the municipality or municipalities. [Click here to learn more about the approval and financing process of this program.](#)



(+) up to 200 bps lower than market rates; (+) taxable, no Code compliance; (-) Davis Bacon; (-); substantial Admin fees

### CLEAN WATER SRF PROGRAM

Created in 1987 by the Clean Water Act, the Maine Municipal Bond Bank serves as financial manager of the Clean Water State Revolving Loan Fund in cooperation with the Maine Department of Environmental Protection. [Click here to learn more about the approval and financing process of this program.](#)



(+) up to 200 bps lower than market rates; (+) taxable, no Code compliance; (-) Davis Bacon; (-); substantial Admin fees

### DRINKING WATER SRF PROGRAM

Created by the Safe Drinking Water Act of 1996, the Maine Municipal Bond Bank serves as the financial manager of the Drinking Water State Revolving Loan Fund in cooperation with the Maine Department of Human Services. [Click here to learn more about the approval and financing of this program.](#)



(+) up to 0% rate; (+) taxable, no Code compliance; (+) up to 50% grant (forgiven); (-)  $\leq$  \$1MM/project

### SCHOOL REVOLVING RENOVATION PROGRAM

Created by the Legislature in 1998, the Maine Municipal Bond Bank serves as financial manager of the School Renovation Revolving Loan Fund in cooperation with the Maine Department of Education. [Click here to learn more about the approval and financing process of this program.](#)

127 Community Drive • PO Box 2268 • Augusta, ME 04338 • 1-800-821-1113  
Copyright © 2015 Maine Municipal Bond Bank, All Rights Reserved



**What if????????**

The Maine Municipal Bond Bank (“MMBB”) is an alternative source to provide funds to finance municipal projects. MMBB was established in 1972 to served local Maine communities by pooling debt into a common plan of financing. While this allowed economies of scale savings vis-à-vis costs of issuance, local credits’ “name” in the market lost familiarity; credit ratings were withdrawn; flexibility to time the financings to suit specific needs replaced by adherence to MMBB’s strict schedule; issuers were non-callable; and MMBB “charges” the negative arb necessary to fund its Debt Service Reserve Funding (“DSRF”) requirement.

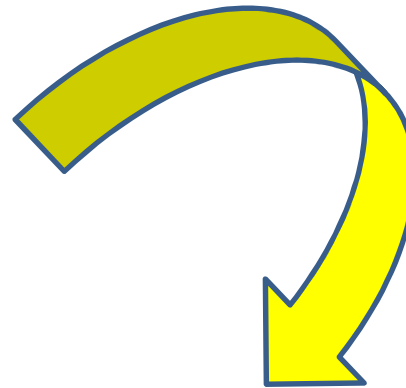
Based upon current market information, MMBB’s General resolution financings are typically priced 30 - 75 bps (basis points) higher yielding than MMD’s Aaa Daily Yield Curve. Conversely, *Individually Sold* financings are typically priced at < 20 bps greater than to 10 bps below the Aaa baseline.

For example, the first 20-years of **MMBB’s 2015 Fall** pricing was established from 22 to 78 bps higher than Aaa baseline yields; or an average of >52 bps, seen to the table on the right.

Our **five sales** in the same time period priced from 8 bps *below* the curve to 44 bps above (or averages from 8 bps lower to only 29 bps higher) than MMD’s Aaa Daily Yield Curve.

Our financings enjoy “better market pricing”!

Year	Variance to MMD's Aaa Baseline Yield Curve					9/28/2015 MMBB Sr C Aa2/AA+
	8/25/2015 Bar Har Aa2/AAA	9/1/2015 Kittery Aa2/AA+	10/15/2015 RSU 5 Aa3/AA-	10/20/2015 RSU 21 Aa3/AA+	10/21/2015 Auburn Aa3/AA-	
1	0.12	0.22	0.17	0.17	0.17	0.07
2	0.11	0.06	0.15	0.17	0.05	0.22
3	0.06	0.04	0.09	0.18	(0.01)	0.25
4	0.07	(0.02)	0.14	0.14	(0.06)	0.25
5	0.05	(0.03)	0.15	0.15	(0.05)	0.27
6	0.07	(0.11)	0.12	0.11	(0.14)	0.32
7	0.07	(0.15)	0.18	0.12	(0.14)	0.35
8	0.05	(0.13)	0.18	0.12	(0.19)	0.36
9	0.03	(0.15)	0.15	0.13	(0.22)	0.37
10	0.07	(0.16)	0.19	0.13	(0.23)	0.42
11	0.14		0.32	0.19		0.54
12	0.15		0.36	0.40		0.64
13	0.22		0.41	0.45		0.72
14	0.29		0.42	0.46		0.74
15	0.31		0.43	0.47		0.80
16	0.33		0.46	0.45		0.83
17	0.33		0.45	0.44		0.83
18	0.33		0.45	0.44		0.78
19	0.34		0.45	0.44		0.78
20	0.36		0.45	0.44		0.78
<b>Average:</b>	<b>0.18</b>	<b>(0.04)</b>	<b>0.29</b>	<b>0.28</b>	<b>(0.08)</b>	<b>0.52</b>
<b>Actual TIC:</b>	2.48%	1.69%	2.67%	2.70%	1.46%	
<b>MMBB:</b>	<b>3.27%</b>	<b>2.27%</b>	<b>3.27%</b>	<b>3.27%</b>	<b>2.27%</b>	
<b>Savings:</b>	(0.79%)	(0.58%)	(0.60%)	(0.57%)	(0.81%)	



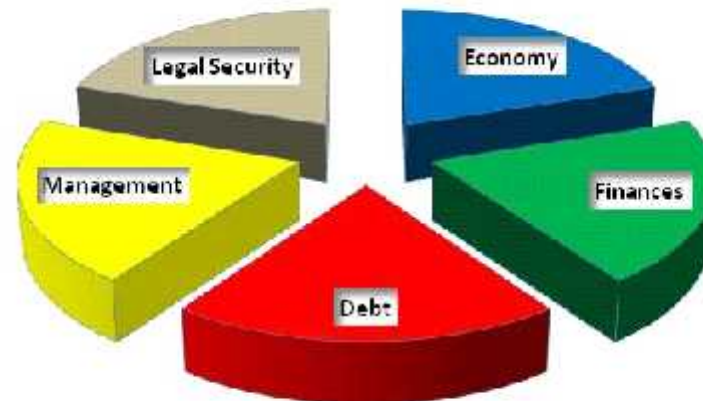
Issuer:	Bar Harbor	Kittery	RSU 5	RSU 21	Auburn
Sale Date:	8/26/2016	9/1/2016	10/15/2016	10/20/2016	10/21/2016
Ratings:	Aa2/AAA	Aa2/AA+	Aa3/AA-	Aa3/AA+	Aa3/AA-
Amount:	2,970,000	3,075,000	13,838,000	45,000,000	6,700,000
MMBB TIC:	3.27%	2.27%	3.27%	3.27%	2.27%
Our TIC:	2.48%	1.69%	2.67%	2.70%	1.46%
Variance:	(0.79%)	(0.58%)	(0.60%)	(0.57%)	(0.81%)
Savings:	\$105,384	\$104,359	\$1,044,590	\$2,361,500	\$159,195
PV Savings:	3.27%	3.16%	5.23%	5.11%	2.47%
<b>Savings/000:</b>	<b>35.483</b>	<b>33.934</b>	<b>76.594</b>	<b>52.400</b>	<b>27.829</b>



## The Rating Process



MOORS & CABOT  
INVESTMENTS



<u>Credit Factors</u>	<u>Potential Rating Change Driver</u>
Economy	<ul style="list-style-type: none"> <li>• Significant development in the local tax base driving continued growth in total property values.</li> <li>• Increased or decreased diversification of local tax base.</li> <li>• Loss of key industry or employer with no work-out plan.</li> </ul>
Finances	<ul style="list-style-type: none"> <li>• Expected augmentation (or loss) of financial flexibility.</li> <li>• Expectation that significant growth (or decline) of reserves will continue.</li> </ul>
Debt	<ul style="list-style-type: none"> <li>• Significant increase in debt obligations without correlating development to offset tax-base leveraging.</li> <li>• Utilization of debt structure not appropriately matched to asset's useful life.</li> </ul>
Management	<ul style="list-style-type: none"> <li>• Implementation of new strategies that are expected to augment (or detract) from operating flexibility.</li> <li>• Change in political environment that affects ability to react to unanticipated events.</li> </ul>
Legal Security	<ul style="list-style-type: none"> <li>• Indenture for non-tax backed debt; Regulatory agency permission; Financial flexibility: Unlimited, Limited or Restrictive.</li> </ul>

## Moody's Long-term Ratings

**Moody's Investors Service ("Moody's")** Bonds carrying the same rating are not claimed to be of absolutely equal quality, but are in a broad sense alike in position of risk. The ratings involve judgments about the future, including an appraisal of long-term risks and the recognition of many statistical and non-statistical factors. The quality of a bond may change over its life and therefore a change from the initial rating designation may occur at any time. Moody's applies numerical modifiers (1, 2 and 3) in each rating classification. The modifier 1 indicates that the issue ranks in the higher end of its gradation; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its category. The classes of gradation are:

**Aaa** ratings, assigned for issues judged to be of the best quality, carry the smallest degree of investment risk and are generally referred to as "gilt edged". Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

**Aa** ratings, assigned for issues judged to be of high quality by all standards and, together with **Aaa**, comprise what are generally known as "high grade" bonds. These are rated lower because margins of protection may not be as large as in **Aaa** issues, or fluctuation of protective elements may be of greater amplitude, or there may be other elements present which make the long-term risk appear somewhat larger than **Aaa** securities.

**A** ratings, assigned for issues judged to possess many favorable investment attributes, are considered upper-medium grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment sometime in the future.

**Baa** ratings, assigned for issues judged to be considered as medium-grade obligations, are neither highly protected nor poorly secured.

## S&P's Long-term Ratings

*Issue credit ratings are based, in varying degrees, on Standard & Poor's analysis of the following considerations: Likelihood of payment—capacity and willingness of the obligor to meet its financial commitment on an obligation in accordance with the terms of the obligation; Nature of and provisions of the obligation; Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.*

*Issue ratings are an assessment of default risk, but may incorporate an assessment of relative seniority or ultimate recovery in the event of default.*

### **AAA**

An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

### **AA**

An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

### **A**

An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

### **BBB**

An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

---

### **Plus (+) or minus (-)**

The ratings from may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.



**MOORS & CABOT**  
INVESTMENTS

## Speculative Grade

**Ba or BB** rated debt has less near-term vulnerability to default than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments.

**B** rated debt has greater vulnerability to default but currently has the capacity to meet interest payments and principal repayments. Adverse business, financial or economic conditions will likely impair capacity or willingness to pay interest and repay principal.

**Caa or CCC** rated debt has a current identifiable vulnerability to default, and is dependent upon favorable business, financial and economic conditions to meet timely payment of interest and repayment of principal. In the event of adverse business, financial or economic conditions, it is not likely to have the capacity to pay interest and repay principal.

**Ca or CC** ratings are typically applied to debt subordinated to senior debt that is assigned an actual or implied Caa or CCC rating.

**C** ratings are typically applied to debt subordinated to senior debt that is assigned an actual or implied Caa or CCC- rating. The **C** rating may be used to cover a situation where a bankruptcy petition has been filed, but debt service payments are continued.

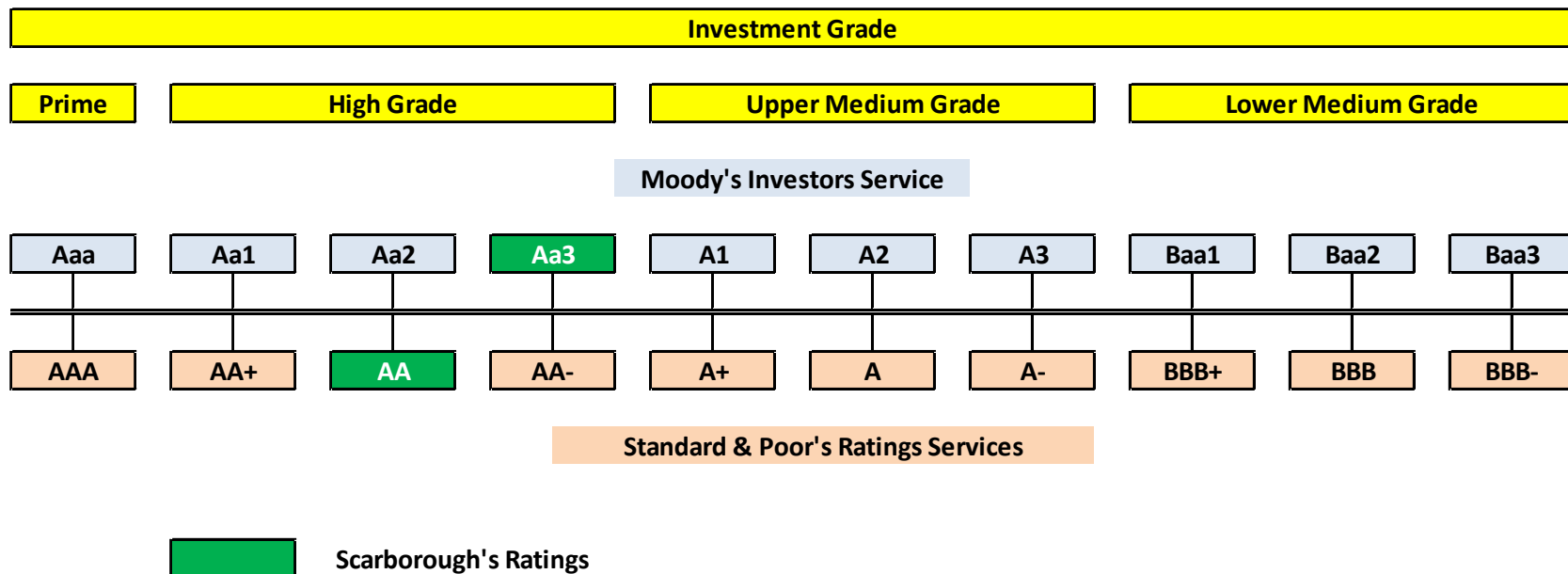
**CI** ratings are reserved for income bonds on which no interest is being paid.

**D** rated debt indicates payment default. This rating is also used upon the filing of a bankruptcy petition if debt service payments are jeopardized.

**N.R.** indicates that the debt is not rated by a bond rating agency.



Bond Rating Ranges



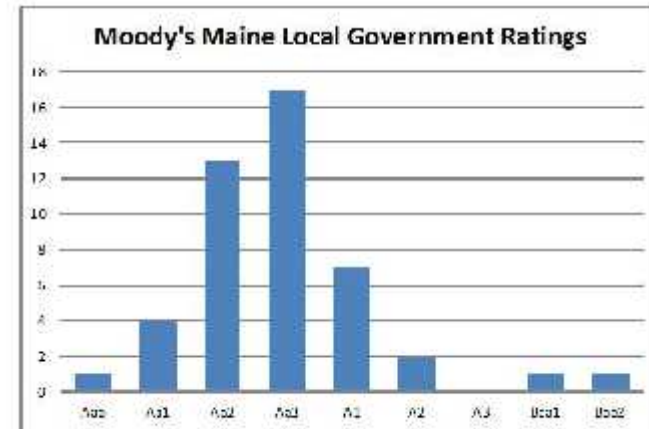
**Current Ratings  
Local Maine Municipal Governments**

<b>Municipality Name</b>	<b>Moody's Rating</b>	<b>S&amp;P Rating</b>	<b>Municipality Name</b>	<b>Moody's Rating</b>	<b>S&amp;P Rating</b>
Allentown	NR	AA	Scarborough	Aa3	AA
Auburn	Aa3	AA-	Somerset Cnty	Aa3	A+
Augusta	NR	AA	South Berwick	A1	NR
Bangor	Aa2	AA	South Portland	Aaa	AAA
Bar Harbor	Aa2	AAA	St. George	NR	AA-
Bath	Aa3	AA	Topsham	NR	AA+
Bridelord	Aa3	AA	Waterville	Aa3	A+
Brewer	Aa3	AA-	Wells	Aa2	AA-
Brunswick	Aa2	AA+	Westbrook	Aa3	AA
Camden	NR	AA+	Windham	Aa2	AA
Cape Elizabeth	Aa1	AAA	Winslow	Aa3	AA-
Castine	Aa3	NR	Winthrop	NR	AA-
Cumberland	Aa3	AA+	Yarmouth	Aa2	AA+
Cumberland Cnty	Aa1	AA	York Cnty	NR	AA
Dixfield	NR	AA-	York	NR	AA+
Ellsworth	Aa3	AA	<b>District</b>		
Falmouth	Aa1	AAA	Auburn Sewer Dist.	NR	A+
Farmington	NR	AA-	Auburn Water Dist.	NR	A+
Freeport	Aa2	AAA	Brewer ISSD	NR	AA
Garham	Aa2	AA	Brunswick WD	NR	A+
Gray	Aa3	AA+	Cumberland Cnty Civic Cntr	NR	AA
Hallowell	NR	A+	ecomaire	NR	AA
Hendrick Cnty	Aa2	AA	Freeport Swr	Aa3	NR
Herman	A1	AA-	Ken Lt & Pr	Aa3	A-
Kennebunk	Aa1	AAA	Kenn Wtr	A1	NR
Kittery	Aa2	AA	Emp-Sag Jail Auth	A1	A+
Knox Cnty	Aa2	AA	MSAD 451	Aa3	AA
Lewiston	Aa2	AA	No Jay WD	Baa2	NR
Manchester	NR	AA-	Portland Jelpori	Baa1	BBB
New Gloucester	Aa3	AA+	Portland Wtr Dis (Fort Swr)	Aa1	AA
Old Orchard Beach	Aa3	AA+	Portland Wtr Dis (Wtr)	A1	A+
Orono	Aa3	AA-	RSU No. 1	NR	AA
Oxford	NR	AA-	RSU No. 5	Aa3	AA
Paris Twn	NR	A+	RSU No. 21	Aa3	AA+
Pittsfield Twn	NR	A	RSU No. 23	Baa1	AA
Portland	Aa1	AA	Rumford Wtr	A2	NR
Presque Isle	NR	A+	So Berwick WD	A1	NR
Raymond	NR	AAA	Wells Oguniquet CSID	Aa3	AA-
Saco	Aa3	AA	Yarmouth WD	Aa3	A+

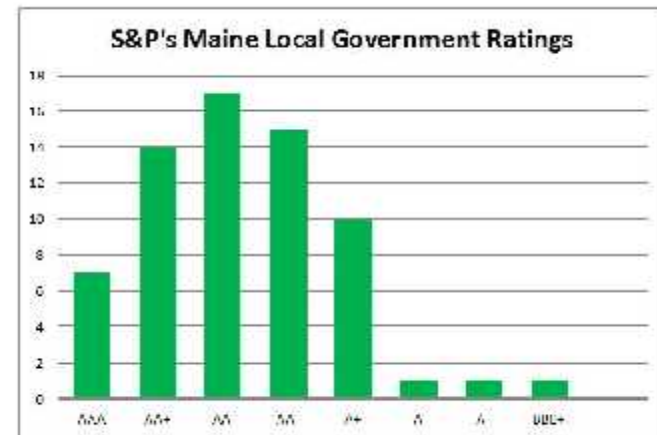
March 9, 2016



**MOORS & CABOT**  
INVESTMENTS

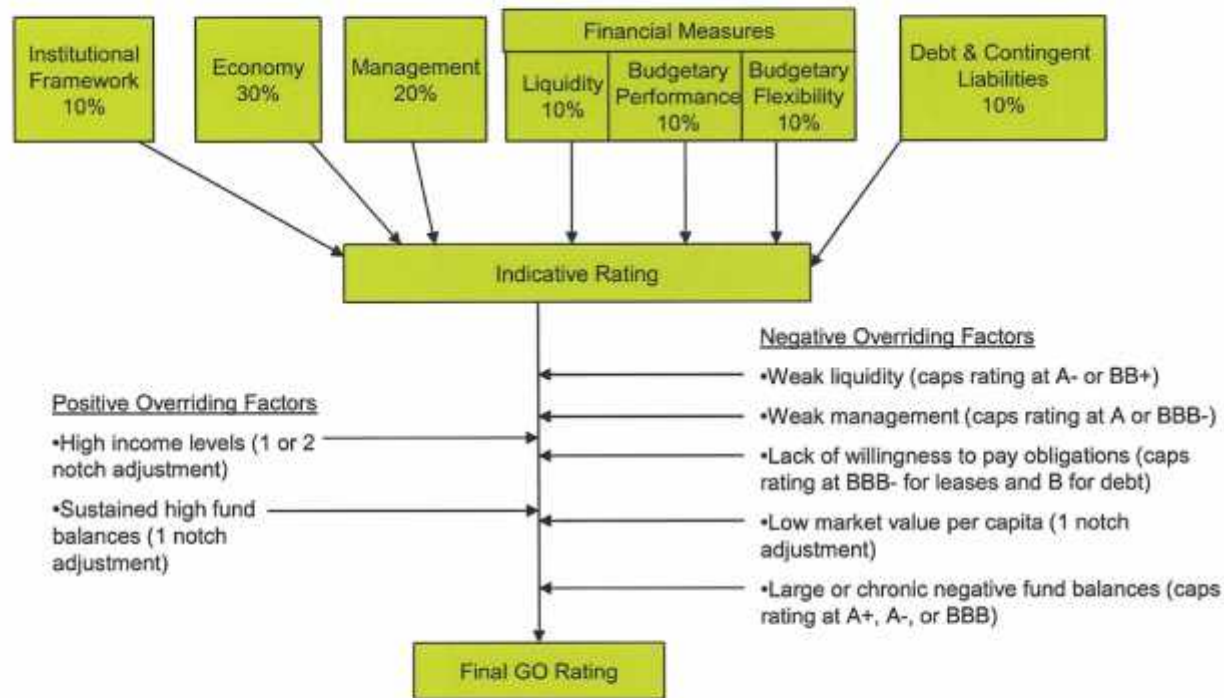


Source: Moody's Investors service (ratings as of April 20, 2015)



Source: S&P Ratings (ratings as of April 20, 2015)

## Analytical Framework for Local GO Ratings



Source: Standard & Poor's Ratings Services.

Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.



## Analytic Framework for Local GO Ratings

Broad Rating Factors	Factor Weighting	Rating Sub-factors	Sub-factor Weighting
Economy/Tax Base	30%	Tax Base Size (full value)	10%
		Full Value Per Capita	10%
		Wealth (median family income)	10%
Finances	30%	Fund Balance (% of revenues)	10%
		Fund Balance Trend (5-year change)	5%
		Cash Balance (% of revenues)	10%
		Cash Balance Trend (5-year change)	5%
Management	20%	Institutional Framework	10%
		Operating History	10%
Debt/Pensions	20%	Debt to Full Value	5%
		Debt to Revenue	5%
		Moody's-adjusted Net Pension Liability (3-yr ave) to Full Value	5%
		Moody's-adjusted Net Pension Liability (3-yr ave) to Revenue	5%



# Town of Scarborough, Maine



## ECONOMIC CHARACTERISTICS

Population	% Change			
	Town of Scarborough	Town	State	USA
1970	7,845	22.2	2.4	13.4
1980	11,347	44.6	13.4	11.4
1990	12,518	10.3	9.2	9.8
2000	16,970	35.6	3.8	13.2
2010	18,919	11.5	4.2	8.9

SOURCE: Respective census, U.S. Department of Commerce, Bureau of the Census.

Population Characteristics	Town of Scarborough	Cumberland County	State of Maine	USA
Median age (years)	44.5	41.0	42.7	37.2
% School age	19.0%	26.1%	18.2%	20.4%
% Working age	59.0%	64.8%	63.4%	62.9%
% 65 and over	12.2%	14.3%	15.9%	13.0%
Persons/household	2.48	2.32	2.32	2.58

Income	Town of Scarborough	Cumberland County	State of Maine	USA
Median family income	\$93,854	\$71,335	\$58,185	\$62,982
% Below poverty level (individuals)	3.0%	10.5%	12.6%	13.8%
Per capita income	\$37,959	\$31,041	\$25,385	\$27,334

Housing	Town of Scarborough	Cumberland County	State of Maine	USA
% Owner occupied	78.8%	68.5%	73.1%	66.6%
% Built 1939 or earlier	13.5%	29.0%	28.1%	14.1%
% Built since 2000	15.7%	10.8%	8.9%	12.8%
Owner occupied med. value	\$318,700	\$248,400	\$176,200	\$188,400
Median gross rent	\$1,097	\$868	\$707	\$841
Occupied housing units	7,397	116,616	551,125	-

SOURCE: 2010 Census, U.S. Department of Commerce, Bureau of the Census.

Unemployment	Town of Scarborough	Cumberland County	State of Maine	USA
2014	3.9%	4.4%	5.7%	6.2%
2013	4.7	5.3	6.7	7.4
2012	6.7	5.8	7.3	8.1
2011	5.1	6.0	7.5	8.9
2010	5.4	6.3	7.9	9.6
2009	5.6	6.4	8.0	9.3
2008	3.3	4.0	5.4	5.8
2007	2.9	3.5	4.6	4.7
2006	3.0	3.4	4.6	4.6
2005	3.0	3.6	4.8	5.1

SOURCE: State of Maine, Department of Labor, Division of Economic Analysis and Research.



**DEBT RATIOS**

Fiscal Yr. End June 30,	Population	Equalized State Val. (000)	Assessed Valuation (000)	Total Debt	Debt as % Eq. Val.	Per Capita Debt
2014	19,343	\$3,579,450	\$3,660,306	\$97,895,000	2.73%	\$5,061.00
2013	18,941	3,579,450	3,660,306	96,180,000	2.69	5,077.87
2012	18,786	3,556,750	3,572,000	82,250,000	2.31	4,378.26
2011	18,919	3,564,150	3,556,552	66,767,000	1.87	3,529.10
2010	18,919	3,620,450	3,524,771	68,042,000	1.88	3,616.95
2009	18,812	3,563,250	3,487,005	67,785,000	1.90	3,603.29
2008	18,812	3,531,150	3,397,230	69,328,000	1.96	3,685.31
2007	18,812	3,255,800	3,317,498	66,845,000	2.05	3,553.32
2006	18,812	2,873,200	3,256,842	68,844,000	2.40	3,659.58
2005	18,812	2,538,800	2,057,589	67,737,433	2.67	3,600.76

**DEBT SERVICE COMPONENT OF OPERATING EXPENSES**

	Audited					Budgeted
	2010	2011	2012	2013	2014	2015
Total Current Year Debt Service:	\$8,209,555	\$8,304,376	\$8,224,935	\$7,950,370	\$8,378,569	\$9,150,882
Budgeted Operating Expense:	65,595,764	65,501,307	65,506,405	69,166,703	71,249,706	76,196,802
Debt Service as % Oper. Expense:	12.52%	12.68%	12.56%	11.49%	11.76%	12.01%

**TOTAL GENERAL OBLIGATION, OVERLAPPING AND CONTINGENT DEBT**

	Direct Debt	Overlapping	Contingent	Total Debt
Town of Scarborough	\$97,895,000			\$97,895,000
County of Cumberland <sup>(1)</sup>		\$3,474,565		3,474,565
Portland Water District <sup>(1)</sup>		5,779,755		5,779,755
ecomaine (RRS)			\$0	0
ecomaine (MRF)			0	0
ecomaine (Landfill)			1,435,524	1,435,524
<b>Total A/O June 30, 2014</b>	<b>\$97,895,000</b>	<b>\$9,254,320</b>	<b>\$1,435,524</b>	<b>\$108,584,844</b>
Debt as % 2015 ESV	2.67%	0.25%	0.04%	2.96%
Debt per Capita	\$5,061.00	\$478.43	\$74.21	\$5,613.65

NOTE: <sup>(1)</sup> Projected, as of fiscal year ended December 31, 2014.





**Medians by Rating - US Cities (Population < 50,000)**

Selected Indicators	US Local Government Medians					
	Aaa	Aa	A	Baa	Ba	B
Total General Fund Revenues (000)	\$34,001	\$20,299	\$7,347	\$6,650	N/A	\$20,635
General Fund Balance as % of Revenues	33.36%	32.04%	32.08%	14.32%	N/A	3.52%
Available General Fund Balance as % of Revenues	27.78%	28.59%	28.10%	11.51%	N/A	3.35%
Direct Net Debt as % of Full Value	0.75%	1.07%	1.63%	2.45%	N/A	5.87%
Overall Debt Burden (Overall Net Debt as % Full Value)	1.89%	2.37%	3.11%	4.67%	N/A	9.08%
Total Full Value (000)	\$5,339,263	\$1,848,747	\$639,279	\$461,306	\$795,297	\$1,306,546
Population 2010 Census	22,284	16,780	8,070	9,464	3,620	19,376
Full Value Per Capita	\$219,670	\$105,302	\$63,952	\$52,616	\$49,714	\$48,055
Ten Largest Taxpayers as % of AV	7.24%	8.96%	12.25%	14.72%	N/A	N/A
MFI as a % of US (2012 ACS)	214.75%	134.78%	96.40%	79.91%	84.96%	86.95%

**TOWN OF SCARBOROUGH, MAINE - KEY STATISTICS**

Fiscal 2015 Full Valuation:	\$3.7 billion
Fiscal 2015 Full Valuation per Capita:	\$189,593
Median Family Income as % of U.S.:	149%
Fiscal 2014 Available General Fund Balance as % of Revenues:	8.3%
5-Year Dollar Change in Available General Fund Balance as % of Revenues: -	2.6%
Fiscal 2014 Cash Balance as % of Revenues:	15%
5-Year Dollar Change in Cash Balance as % of Revenues:	2.4%
Institutional Framework:	Aa
5-Year Average Operating Revenues / Operating Expenditures:	0.99x
Net Direct Debt as % of Full Value:	2.7%
Net Direct Debt / Operating Revenues:	1.3x
ANPL as % of Full Value:	0.3%
ANPL / Operating Revenues:	0.2

"ANPL" is Adjusted Net Pension Liability



(Scarborough in yellow balloons)

Household/Per Capita Effective Buying

Low	Below 65%
Adequate	65%-90%
Good	90%-110%
Strong	110%-130%
Very strong	Above 130%

141%

Available Fund Balance

Low	Below 0%
Adequate	1%-4%
Good	4%-8%
Strong	8%-15%
Very strong	Above 15%

8.35%

Market Value Per Capita

Low	Below \$35,000
Adequate	\$35,000-\$55,000
Strong	\$55,000-\$80,000
Very strong	\$80,000-\$100,000
Extremely strong	Above \$100,000

\$193,700

Debt Service As % Of Expenditures

Low	Below 8%
Moderate	8%-15%
Elevated	15%-20%
High	Above 25%

12.01%

7.5%

Top 10 Taxpayers

Very diverse	Below 15%
Diverse	15% - 25%
Moderately concentrated	25% - 40%
Concentrated	Above 40%

Overall Net Debt Per Capita

Very low	Below \$1,000
Low	\$1,000-\$2,000
Moderate	\$2,000-\$5,000
High	Above \$5,000

\$5,613.65

Overall Net Debt As % Of Market Value

Low	Below 3%
Moderate	3%-6%
Moderately high	6%-10%
High	Above 10%

2.96%

SOURCE: Public Finance Criteria: Key General  
Obligation Ratio Credit Ranges - Analysis Vs. Reality  
(Standard & Poor's , April 2, 2008)



## Scarborough Credit Profile

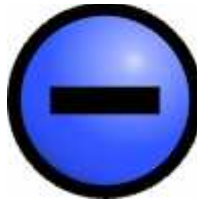


### STRENGTHS

- ✓ Stable tax base with favorable wealth levels
- ✓ Improved financial position with adequate reserves
- ✓ Manageable pension and OPEB liabilities

### WHAT COULD MAKE THE RATING GO UP

- ✓ Material improvement in liquidity and reserves
- ✓ Elimination of the inter-fund Haigis Parkway TIF District loan receivable
- ✓ Material decline in the debt burden



### CHALLENGES

- ✗ Moderate revenue raising ability due to LD1
- ✗ Outstanding General Fund subsidy due TIF district debt
- ✗ Continued reliance on fund balance to balance school budgets

### WHAT COULD MAKE THE RATING GO DOWN

- ✗ Trend of operating deficits resulting in reserve declines
- ✗ Material increase in the General Fund receivable “due from” Haigis Parkway TIF
- ✗ Significant declines in the tax base
- ✗ Deterioration of the demographic profile
- ✗ Further material growth in debt