

# RatingsDirect®

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## Summary:

# Raymond, Maine; General Obligation

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### Credit Profile

US\$0.885 mil GO bnds ser 2015 dtd 05/01/2015 due 11/01/2025

<i>Long Term Rating</i>	AAA/Stable	New
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Raymond Twn GO Bnds

<i>Long Term Rating</i>	AAA/Stable	Affirmed
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## Rationale

Standard & Poor's Ratings Services assigned its 'AAA' rating and stable outlook to the Town of Raymond, Maine's series 2015 general obligation (GO) and affirmed its 'AAA' rating, with a stable outlook, on the town's existing GO debt.

The town's full faith and credit pledge secures the bonds. We understand that officials will use bond proceeds to fund the engineering and construction of a new sand/salt building and the purchase of a fire truck.

The rating reflects our assessment of the following factors for the town:

- Very strong economy, which benefits from participation in the broad and diverse economy of Portland;
- Strong budgetary performance, with consistent operating surpluses;
- Very strong budgetary flexibility, with available reserves at or above 15% of general fund expenditures for the most recent three audited years;
- Very strong liquidity, providing very strong cash levels to cover both debt service and expenditures;
- Strong management conditions, with formal policies and consistent ability to maintain balanced budgets;
- Very strong debt and contingent liabilities position, driven mostly by the town's low net direct debt; and
- Strong institutional framework score.

### Very strong economy

We consider Raymond's economy to be very strong, with access to the broad and diverse economy of Portland in Cumberland County. Traditionally, county unemployment has tracked lower than that of the state and the nation; county unemployment averaged 5.3% in 2013. Raymond has what we consider to be good per capita incomes as reflected by the ability of residents to access jobs in the Portland metropolitan statistical area. Raymond's projected per capita effective buying income is 116% of the national average.

The town is a four-season recreational destination with several large summer camps and popular lake-front properties resulting in very strong per capita market values at \$227,683 for fiscal 2014. Assessed value (AV) has remained relatively flat in the past five years. However, management is reporting an increase in building permits from recession levels as residents build new homes or undertake renovation projects. Fiscal 2015's AV totaled a little more than \$1 billion.

### **Strong budgetary performance**

Raymond's budgetary performance has been strong, with general fund operating surpluses in the most recent five fiscal years. Fiscal 2014's general funds result is positive, with a 0.1% operating surplus. Netting out one-time expenditures for road construction and a land purchase, total governmental funds reported a slight 0.9% deficit (\$112,000) due to lower-than-anticipated intergovernmental revenues.

About 95% of the town's revenues are from property tax, and collection has been strong, averaging more than 96% for the most recent five years. Management adopted a balanced general fund budget for 2015 and initial projections show the town remains within budget. Raymond is part of the Regional School Unit No. 14; contributions to the regional school system have been level at about \$8 million per year.

### **Very strong budget flexibility**

In our opinion, the town's budgetary flexibility remains very strong with available reserves above 15% of expenditures for the past several years, and Raymond has no plans to significantly spend down the reserves. The town has a formal reserve policy to maintain at least 15% of prior-year tax commitments in reserves, to which it has historically adhered. Management expects to allocate anything above 15% to nonrecurring capital items. In fiscal 2014, available reserves totaled \$2.3 million or 19% of expenditures, a slight increase over the previous year. Despite a planned \$428,500 drawdown in fiscal 2015 to complete a communications tower, we do not expect this score to change.

### **Very strong liquidity**

Supporting the town's finances is what we consider to be very strong liquidity, with total government available cash at 33.6% of total governmental fund expenditures and 112x debt service. Raymond has strong access to external liquidity. It has occasionally issued bonds through the Maine Municipal Bond Bank in the past 15 years.

### **Strong management**

We view the town's management conditions as strong with formalized financial practices. Highlights include the use of historical data when developing the operating budget to identify trends. Management frequently monitors investment and budget-to-actual performance and makes formal monthly reports to the selectmen. Raymond has a formal policy of maintaining at least 15% of prior-year property tax commitments in the general fund for economic uncertainties. Management maintains a rolling five-year capital improvement plan, updated as part of the annual budget process that includes project costs and potential funding sources. No formal debt management policies currently exist outside of state statute.

### **Very strong debt and contingent liability profile**

In our opinion, the town's debt and contingent liabilities profile is very strong, with total governmental funds debt service as a percent of total governmental funds expenditures at 3% and with net direct debt as a percent of total governmental funds revenue at 31.2%. Overall net debt, after taking into account state aid reimbursement on school-related debt, is low in our opinion at 0.5% of market value. Amortization of debt is also rapid with 87% of principal to be retired in 10 years. Raymond maintains a long-term capital plan through 2019 with pay-as-you-go total capital needs of about \$4.8 million.

The town participates in a defined contribution plan offered by the International City/County Management Association. For fiscal 2014, the defined contribution plan totaled \$42,000 or 0.3% of total governmental expenditures.

Raymond does not provide any other postemployment benefits to its retirees.

### **Strong institutional framework**

We consider the institutional framework score for Maine municipalities as strong.

## **Outlook**

The stable outlook reflects our view of Raymond's continued consistent financial performance and underlying economy supported by strong management. We do not expect to change the rating in our two-year outlook horizon as we anticipate that the town will maintain very strong budget flexibility and strong financial performance. However, if budgetary performance were to slide, resulting in a decline in fund balance below the 15% policy level, we could lower the rating, though we consider this unlikely.

## **Related Criteria And Research**

### **Related Criteria**

- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013
- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013

### **Related Research**

- Institutional Framework Overview: Maine Local Governments
- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

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