

Lewiston, Maine

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Credit Profile

US\$10.222 mil GO pub imp bnds ser A dtd 11/01/2009 due 04/15/2010-2029

Long Term Rating	AA-/Stable	New
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US\$2.595 mil GO rfdg bnds ser B dtd 11/01/2009 due 03/01/2010-2019

Long Term Rating	AA-/Stable	New
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Rationale

Standard & Poor's Ratings Services assigned its 'AA-' rating, and stable outlook, to Lewiston, Maine's series 2009A general obligation (GO) public improvement bonds and series 2009B GO refunding bonds.

The rating reflects the city's:

- Significant local economy, which is the hub of regional economic activity;
- Considerable new growth and development that has occurred over the past several years, contributing to strong per capita market valuation;
- Conservative fiscal management, resulting in sound financial operations and very strong financial reserves; and
- Moderate overall debt burden with manageable additional capital needs.

The city's just-adequate household income indicators constrain the rating.

Lewiston is in Androscoggin County, about 35 miles north of Portland, Maine. The city is the second largest city in Maine: The 2008 population estimate was 35,585. While historically an

industrial center, the city's economy has diversified over the past 20 years into a regional health care, education, and financial employment center catering to well in excess of 24,000 jobs. Leading employers, all of which are stable, include:

- Central Maine Medical Center (2,333 employees),
- Sisters of Charity Health Care Systems (1,989),
- TD Bank (1,394), and
- Bates College (768).

Unemployment of 8.8%, as of August 2009, though rising over the past year, remained near the state's 8.8% rate and below the nation's 9.7% rate. Despite our view of the relative stability of the city's economic base, household income levels remain well below average compared with state and national levels. Median household effective buying income was 77% of the state's level and 68% of the nation's level in 2008. Similarly, 2008 per capita effective buying income was 83% of the state's level and 77% of the nation's level.

The property tax base is 56% residential and 28% commercial and industrial. Driven by new commercial and industrial construction, the city's tax base exhibited strong growth over the past decade. In 2009, while real estate values have declined slightly during the constriction of the mortgage market, commercial and industrial values appear to be holding firm. Lewiston's state equalized value totals \$2.5 billion, a 62% increase over 2004 values, or, what we view as, a strong market value of \$72,546 per capita. We consider the tax base diverse with the 10 leading taxpayer accounting for 17% of assessed value. Wal-Mart Stores East L.P., a recently built 850,000-square-foot distribution center, is the city's leading taxpayer, accounting for 5% of assessed value.

Lewiston's financial performance has historically been sound, and the city has consistently managed reserves at very strong levels. The city closed audited fiscal year-end 2008 operations with a \$12.9 million unreserved fund balance, or, what we consider, a very strong 14% of expenditures. Furthermore, fiscal 2009 unaudited financial statements indicate the city closed with a \$1.8 million surplus, further boosting its very strong financial position. The city has historically maintained very strong reserves, well above its policy target of 7.5% of expenditures. We believe this is indicative of management's conservative financial management practices.

For fiscal 2010, officials designated roughly \$2.2 million of available reserves to balance the budget. The city has historically always designated available reserves toward the ensuing budget, knowing positive variances would replenish what it used. While we consider there to be potential budgetary challenges stemming from the ongoing economic recession, overall, we consider the city's main revenue sources quite stable. Real estate taxes account for 49% of revenues, and collections remain a strong 97%. Excise taxes, which might come under pressure if the electorate approves the statewide vehicle excise tax initiative later this year, account for just 5% of revenues while intergovernmental aid accounts for 41%.

In our opinion, based on a review of Lewiston's financial management practices, we consider Lewiston's management practices "good" under our Financial Management Assessment (FMA) methodology, indicating financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them. We believe management strengths include a demonstrated conservative approach to budgeting and strong monitoring practices. The city's deputy finance director routinely reviews budgetary performance and submits formal reports to the finance director, city administrator, and city council monthly. This affords the city the ability to respond to revenue shortfalls within the fiscal year and make the appropriate budget assumptions for the ensuing budget year.

The city maintains a formal five-year capital improvement plan, with identified funding sources, that management reviews yearly. The city links the plan to a financial forecast used to formulate financing strategies. The city's investment management policy adheres to state guidelines, and management submits reports to the city council semiannually. The city also maintains a formal reserve liquidity policy that targets, at a minimum, an undesignated fund balance of 7.5%.

In our opinion, the city's overall debt burden is moderate. Following the inclusion of debt obligations from overlapping governmental units and net of self-supporting enterprise debt, as well as estimated state-appropriated school construction grants, overall net debt will measure a moderate \$2,713 per capita, or 3.7% of full market value. These figures include a \$12.5 million pension obligation bond that, before its issuance, accounted for an off-balance-sheet liability. The general-fund-supported debt service carrying charge was, in our view, moderate at roughly 14% of expenditures in 2009; following this issue, forecasts have the carrying charge remaining level. Debt amortization is above average with officials planning to retire 69% of principal over 10 years, 91% by 2024, and 100% by 2030. Due to the city's mature nature, additional capital needs are manageable. Following this issue, the city will have roughly \$9.8 million of authorized, but unissued, tax-supported debt remaining: Roughly \$5.7 million relates to 2010 municipal capital improvement projects.

Outlook

The stable outlook reflects Standard & Poor's expectation that the city will maintain its positive financial operations as its economy and property tax base continue to grow or, at a minimum, remain stable. Moreover, we expect management will maintain reserves above its 7.5% of expenditures policy target, a level we consider good. The stable outlook also reflects Standard & Poor's expectation that the city will manage capital needs while maintaining a still-moderate, but manageable, overall debt burden.

Related Research

USPF Criteria: "GO Debt," Oct. 12, 2006

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