

CREDIT OPINION

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Town of Windham, ME

Update to credit analysis

Summary

The credit profile for [Windham, Maine](#) (Aa2 issuer and GOLT) incorporates the town's conservative budgetary practices and financial forecasting that has resulted in operating surpluses and reserve growth. The strength of the town's finances will help offset an anticipated increase in the town's leverage as it pursues capital projects to accommodate future economic growth.

Credit strengths

- » Trend of operating surpluses resulting in reserve growth
- » Low leverage and fixed costs
- » New residential and commercial development

Credit challenges

- » Sizeable capital plans in proportion to operational size and existing debt

Rating outlook

We do not assign outlooks to local governments with this amount of debt outstanding.

Factors that could lead to an upgrade

- » Maintenance of balanced financial operations and reserves at 40% of revenue or higher while completing sizeable capital projects
- » Expansion of local economy resulting in revenue growth and/or improved resident incomes and full value per capita

Factors that could lead to a downgrade

- » Operating imbalances resulting in reserve depletion to below 20% of revenue
- » Significant increase in long term liabilities resulting in leverage ratio exceeding 200%
- » Contraction of local economy and/or weakening of resident incomes

Key indicators

Exhibit 1

Windham (Town of) ME

	2020	2021	2022	2023	Aa Medians
Economy					
Resident income ratio (%)	123.2%	123.5%	117.3%	N/A	115.2%
Full Value (\$000)	\$2,272,500	\$2,441,900	\$2,608,150	\$2,914,100	\$2,753,876
Population	18,463	18,343	18,580	N/A	36,119
Full value per capita (\$)	\$123,084	\$133,124	\$140,374	N/A	N/A
Annual Growth in Real GDP	2.6%	7.2%	3.2%	N/A	4.9%
Financial Performance					
Revenue (\$000)	\$45,237	\$49,029	\$48,843	\$54,661	\$49,930
Available fund balance (\$000)	\$10,738	\$18,403	\$18,036	\$23,529	\$27,007
Net unrestricted cash (\$000)	\$12,507	\$21,145	\$23,664	\$28,375	\$36,277
Available fund balance ratio (%)	23.7%	37.5%	36.9%	43.0%	54.0%
Liquidity ratio (%)	27.6%	43.1%	48.4%	51.9%	75.9%
Leverage					
Debt (\$000)	\$20,087	\$22,223	\$24,701	\$25,070	\$35,831
Adjusted net pension liabilities (\$000)	\$9,101	\$13,442	\$12,054	\$9,032	\$55,367
Adjusted net OPEB liabilities (\$000)	\$860	\$967	\$856	\$737	\$5,248
Other long-term liabilities (\$000)	\$807	\$781	\$845	\$910	\$1,716
Long-term liabilities ratio (%)	68.2%	76.3%	78.7%	65.4%	244.9%
Fixed costs					
Implied debt service (\$000)	\$1,595	\$1,438	\$1,559	\$1,725	\$2,465
Pension tread water contribution (\$000)	\$254	\$312	\$150	\$362	\$1,563
OPEB contributions (\$000)	\$59	\$32	\$33	\$31	\$178
Implied cost of other long-term liabilities (\$000)	\$54	\$58	\$55	\$59	\$116
Fixed-costs ratio (%)	4.3%	3.8%	3.7%	4.0%	10.7%

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#).

The real GDP annual growth metric cited above is for the Portland-South Portland, ME Metropolitan Statistical Area Metropolitan Statistical Area.

Sources: US Census Bureau, Windham (Town of) ME's financial statements and Moody's Ratings, US Bureau of Economic Analysis

Profile

The Town of Windham is located in the center of [Cumberland County](#) (Aa2), in southwestern Maine, approximately 10 miles northwest of [Portland](#) (Aa1 positive). The town provides general government services including education to about 18,500 residents.

Detailed credit considerations

Windham's local economy should maintain its trend of modest growth due to ongoing residential and commercial development. With close proximity to Portland, Windham has seen increased developer interest in multi-unit housing and commercial redevelopment, with several projects in various stages of planning and development. The town additionally benefits from solid resident incomes and full value per capita which are comparable to similarly-rated municipalities.

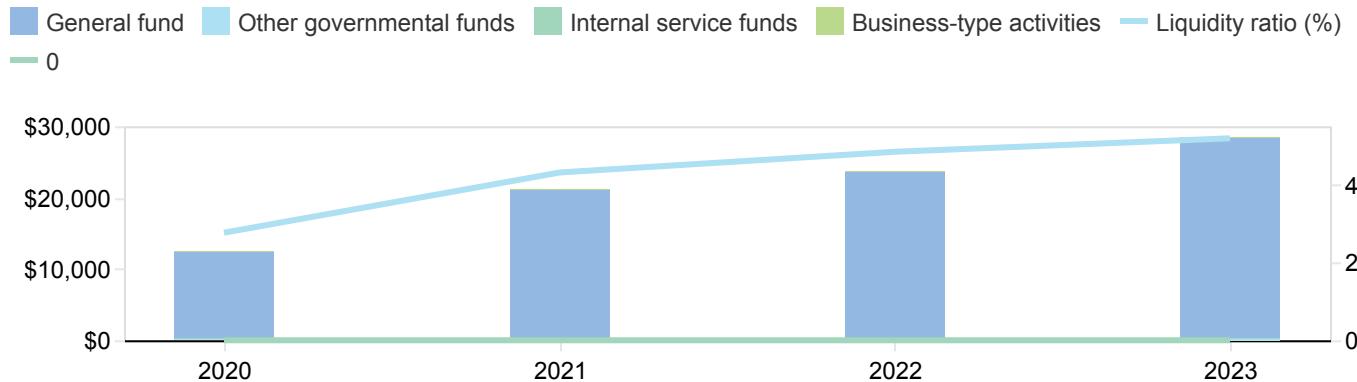
Financial operations and reserves will remain stable. The town anticipates a \$3.4 million operating surplus in 2024, driven by conservative revenue estimates. The town intends to appropriate about \$1.4 million in 2025 for design and project cost estimates for larger projects before presenting voters with bond referendums but in consideration of the town's conservative budgetary practices and history of operating surpluses, the appropriation would not be material.

The town's operations are currently entirely governmental, mostly contained within the general fund (94% of expenditures) and typically about 80% funded with property tax. The town's largest expense is education at 46% in 2023, which includes debt service for Regional School Unit 14, of which the town is a member.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moodys.com> for the most updated credit rating action information and rating history.

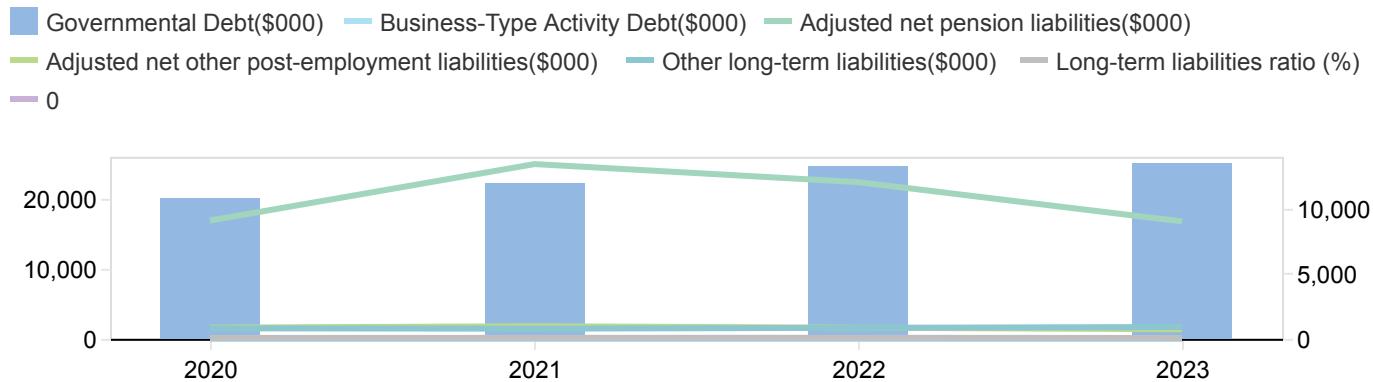
Windham's leverage will increase as the town issues debt for several near to medium term capital projects, including a new sewer system to service the town's current and future commercial development. While management intends for debt service to be paid by TIF district revenue, the debt will be a general obligation of the town. Total project cost for the new wastewater treatment plant and service lines is currently estimated at \$48 million, which exceeds the town's current outstanding debt, and is expected to be operational by 2026.

Exhibit 2
Cash



Source: Moody's Ratings

Exhibit 3
Total Primary Government - Long Term Liabilities



Source: Moody's Ratings

ESG considerations

Environmental

The town's carbon transition, natural capital, and water and pollution risks are modest. Given the town's geographical location, physical climate risk is also neutral to low with no material exposure to sea level rise and moderate exposure to shocks from extreme weather events such as hurricanes and nor-easters.

Social

The town maintains moderate exposure to demographic risks, while maintaining positive exposure to education. Additionally, exposure to labor and income, housing, health and safety, and access to basic services are neutral to low.

Governance

The town has a favorable institutional structure and provides strong transparency and disclosure. The town also consistently approves and releases its budgets and audited financial statements in a timely manner. The town's strong budget management and policy credibility and effectiveness are reflected in its healthy financial position and trend of balanced operations.

Rating methodology and scorecard factors

The US Cities and Counties Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 4

Windham (Town of) ME

	Measure	Weight	Score
Economy			
Resident income ratio	117.3%	10.0%	Aa
Full value per capita	196,389	10.0%	Aaa
Economic growth metric	1.5%	10.0%	Aaa
Financial Performance			
Available fund balance ratio	43.0%	20.0%	Aaa
Liquidity ratio	51.9%	10.0%	Aaa
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	65.4%	20.0%	Aaa
Fixed-costs ratio	4.0%	10.0%	Aaa
Notching factors			
No notching applied			
Scorecard-Indicated Outcome			Aaa
Assigned Rating			
			Aa2

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Portland-South Portland, ME Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Windham (Town of) ME's financial statements and Moody's Ratings

Appendix

Exhibit 5 Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
Financial performance		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
Leverage		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
Fixed costs		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Investors Service
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US Cities and Counties Methodology](#).

Source: Moody's Ratings

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