

Research Update:

Scarborough, ME Series 2026A, 2026B General Obligation Bonds Rated 'AA+'; Outlook Is Stable

February 3, 2026

Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to the Town of [Scarborough](#), Maine's approximately \$4.7 million series 2026A and \$4.7 million series 2026B general obligation (GO) bonds.
- S&P Global Ratings also assigned its 'SP-1+' short-term rating to the town's \$8.245 million series 2026 GO bond anticipation notes (BANs).
- At the same time, S&P Global Ratings affirmed its 'AA+' rating on the town's existing GO debt.
- The outlook, where applicable, is stable.

Rationale

Security

Scarborough's full-faith-and-credit pledge secures the bonds and its debt outstanding, and the town can levy ad valorem property taxes without limitation for bond repayment. The town's GO debt is no longer subject to Maine's LD-1 limitations, as the state legislature's repeal of the municipal property tax levy limit became effective Aug. 9, 2024.

The short-term note rating reflects our criteria for evaluating and rating BANs. Scarborough maintains a very strong capacity to pay principal and interest when the notes come due. We view the town's market risk profile as low because it has strong legal authority to issue long-term debt to take out the notes and is a frequent debt issuer that regularly provides ongoing disclosure to market participants.

Officials intend to use the bond and note proceeds to fund town and school facility and equipment improvements and replacement as well as initial funding for design of school facility improvements.

Credit highlights

Primary Contact

Tyler Fitman
Boston
1-617-530-8021
tyler.fitman
@spglobal.com

Secondary Contact

Jennifer K Garza (Mann)
Dallas
+ 1 (214) 871 1422
jennifer.garza
@spglobal.com

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The rating reflects the town's consistent positive financial performance supported by a strong tax base and conservative budget management, which has allowed the town to sustain sufficient reserves that compare well with that of peers. We expect the town will likely continue to produce at least breakeven results, and with no plans to draw down reserves, we expect reserves will remain above 15.00% of general fund revenues, in line with the current policy that calls for minimum available fund balance of 10.00%, with a target of 16.67%. Our analysis also considers the town's plan to issue debt within the outlook period to support recently approved school building investments, which would increase the overall debt burden and could increase debt service costs. We do not view pension costs as a long-term credit risk due to high funding ratios, manageable liabilities, and overall low costs.

The town's other postemployment benefits (OPEB) liability for both it and the school department is inflexible and amounts to a moderately weaker liability per capita position as a result. We do not expect OPEB costs will pressure the financial profile. We expect overall fixed costs will remain manageable for the town.

The 'AA+' rating further reflects our view of the following factors:

- Scarborough's local economy is stable, with income levels that are significantly stronger than those of county and national averages. The town has an expanding local economy that benefits from proximity to Portland, and management reports a healthy and diverse development pipeline. The town has ongoing development that includes multifamily residential and hotels. In addition, the town went through a revaluation effective for fiscal 2024 that resulted in a \$2.67 billion increase in the total taxable assessed value.
- Scarborough had posted positive net operating results annually since fiscal 2019, supported by a predictable revenue profile, primarily based on property taxes, which account for 75% general fund revenues. The town has also benefited from increases in state general-assistance funding, which could continue due to a stabilized state financial environment and recent state financial results. However, we note that the town produced a slight deficit in 2025 due to the introduction of several new public safety and special education positions and higher-than-typical transfers from the general fund to support capital projects attributed to supply chain timing. Management expects to produce another surplus in fiscal 2026, with excess revenues supported by higher-than-budgeted interest income. Recent results have supported growth in available reserves to more than 17% of general fund revenues, and management has no plans to draw on reserves. Management is closely monitoring cost increases that will impact future budgets; however most town collective bargaining contracts are settled through 2027, which will provide some predictability to budgeting in the short term; the town indicates there will not be additional positions in the next two fiscal years, which would result in slower expense growth.
- Financial management policies and practices, highlighted by a consideration of historical trends in revenues and expenditures and regular budget-status monitoring. The town maintains a five-year capital improvement plan that updates annually. It adheres to an adopted debt management policy and investment policy that complies with state requirements. Management recently revised the fund balance policy to call for a target of unassigned fund balance of 16.67% and sets requirements should the town exceed this level. We think the town's approach to budgeting, close monitoring, and adherence to recently revised policies will support fiscal stability but note that the town lacks a formal long-term financial forecast.
- Scarborough has a manageable debt burden and will likely issue between \$5 million and \$6 million each year for various capital needs. While the town's liabilities appear elevated on a per

capita basis, we note these metrics may be inflated due to a population that increases in the summer months. The town recently received approval via referendum to borrow up to \$130 million for various school renovation and addition projects, which will not receive state aid. Planned borrowing for the school project will increase total debt outstanding, although the impact on total debt service costs might be partially offset by maturing debt over the next several years, limiting the budgetary impact. There is about \$4 million in the current borrowing for design under this referendum, with the remainder to be borrowed in three tranches over the next few years. We do not view pension costs as a long-term credit issue because of the pension plan's high funding level of 88% for the teachers plan and 91% for the town plan, manageable liabilities, and overall low costs for the town.

- For more information on our institutional framework assessment for Maine municipalities, see "[Institutional Framework Assessment: Maine Local Governments](#)," Sept. 10, 2024.

Environmental, social, and governance

We analyzed environmental, social, and governance factors relative to Scarborough's economy, management, financial measures, and debt and liability profile. We view physical risks to be neutral for coastal communities but elevated compared with those of noncoastal communities. Rising sea levels pose a long-term risk, but Scarborough continues to implement resiliency efforts to help reduce potential effects; the town recently updated a vulnerability assessment and is preparing a climate action plan to guide resiliency efforts and related capital planning. The town also works with neighboring communities to support key road infrastructure projects and is currently working with the state on flood prevention improvements to a major roadway. Governance and social factors are neutral in our analysis.

Outlook

The stable outlook reflects our view that Scarborough will likely produce, at least, balanced operations, allowing the town to maintain very strong reserves while its tax base and local economy continue to grow.

Downside scenario

We could lower the rating if budgetary performance deteriorates, leading to weaker budgetary flexibility without a plan to restabilize or if the town issues significantly more debt than expected.

Upside scenario

We could raise the rating if the town demonstrates additional reserve growth to offset increased liabilities in the years to come and performance remains stable as additional debt is adopted over the next several years, and if the town implements additional long-term financial planning.

Scarborough, Maine--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	1.70
Economy	1.0
Financial performance	2
Reserves and liquidity	1
Management	2.00

Scarborough, Maine--credit summary

Debt and liabilities 2.50

Scarborough, Maine--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	--	--	--	129
County PCPI % of U.S.	--	--	--	121
Market value (\$000s)	--	7,821,453	5,256,323	4,988,177
Market value per capita (\$)	--	339,488	228,149	219,251
Top 10 taxpayers % of taxable value	--	6.4	7.0	6.5
County unemployment rate (%)	--	2.7	2.5	2.1
Local median household EBI % of U.S.	--	--	138	144
Local per capita EBI % of U.S.	--	--	148	153
Local population	--	--	23,039	22,751
Financial performance				
Operating fund revenues (\$000s)	--	123,273	116,327	108,522
Operating fund expenditures (\$000s)	--	123,544	113,513	109,127
Net transfers and other adjustments (\$000s)	--	171	2,171	1,132
Operating result (\$000s)	--	(100)	4,985	527
Operating result % of revenues	--	(0.1)	4.3	0.5
Operating result three-year average %	--	1.6	2.2	1.0
Reserves and liquidity				
Available reserves % of operating revenues	--	17.4	17.1	12.6
Available reserves (\$000s)	--	21,402	19,922	13,683
Debt and liabilities				
Debt service cost % of revenues	--	3.7	3.4	5.0
Net direct debt per capita (\$)	4,257	3,461	3,587	3,503
Net direct debt (\$000s)	98,067	79,738	82,644	79,690
Direct debt 10-year amortization (%)	72	74	72	--
Pension and OPEB cost % of revenues	--	2.0	2.0	2.0
NPLs per capita (\$)	--	295	295	262
Combined NPLs (\$000s)	--	6,797	6,797	5,957

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. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List

New Issue Ratings

US\$8,245,000 Town of Scarborough, Maine, 2026 General Obligation Bond Anticipation Notes (Federally Taxable), dated: February 27, 2026, due: February 27, 2027

Short Term Rating SP-1+

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Ratings List

US\$4,695,000 Town of Scarborough, Maine, 2026 General Obligation Bonds, Series A, dated: Date of Delivery, due: November 1, 2040	
Long Term Rating	AA+/Stable
US\$4,700,000 Town of Scarborough, Maine, 2026 General Obligation Bonds, Series B, dated: Date of Delivery, due: November 1, 2055	
Long Term Rating	AA+/Stable
New Rating	
Local Government	
Scarborough Town, ME Unlimited Tax General Obligation	SP-1+
Ratings Affirmed	
Local Government	
Scarborough Twn, ME Unlimited Tax General Obligation	AA+/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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