

# RatingsDirect®

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## Summary:

# Bar Harbor, Maine; General Obligation

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## Summary:

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### Credit Profile

Bar Harbor Twn GO		
<i>Long Term Rating</i>	AAA/Stable	Upgraded
<b>Bar Harbor Twn GO bnds</b>		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.

## Rationale

Standard & Poor's Ratings Services raised its underlying rating (SPUR) on Bar Harbor, Maine's general obligation (GO) bonds two notches, to 'AAA' from 'AA' based on the implementation of its local GO criteria published on Sept. 12, 2013. The outlook is stable.

A pledge of the town's full faith and credit pledge secures these bonds.

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

- We consider Bar Harbor's economy to be strong, with its projected per capita effective buying income at 116.3% of the U.S. and per capita market value of \$260,189. Located 45 miles south of Bangor, the town is adjacent to Acadia National Park, which is ranked the nation's second-most visited park with more than 4 million annual visitors. The town's economy is somewhat seasonal due to strong tourist activity in the summer months. Bar Harbor's year-round population is about 5,340. However, this figure increases to between 15,000 to 20,000 in summer months. The town also has become a popular stop for cruise ships during the summer; the estimated economic impact of the cruise ships on the region is about \$10 million. However, several leading employers such as The Jackson Laboratory, Mount Desert Island Hospital, and the College of the Atlantic somewhat mitigate the seasonality in the workforce. The unemployment rate in Hancock County for calendar year 2012 was 8.6%.
- In our opinion, the town's budgetary flexibility remains very strong with reserves above 15% of expenditures for the past several years. Available general fund balance for audited fiscal 2012 was \$3.43 million, or 19.8% of expenditures. Management indicates that the available fund balance grew slightly in fiscal 2013 to about \$3.49 million, or 20.1% of expenditures. Property taxes remain the town's primary revenue source, accounting for 78% of general fund revenues. The town typically increases the levy within the state's LD1 limit.
- The town's budgetary performance has been strong with a surplus of 2.8% for the general fund in audited fiscal 2012 and an operating surplus of 1.9% in 2011. Total governmental funds operating results were also positive in 2012 at 6.1%. The town's 2013 unaudited results show an operating surplus in the general fund of about \$150,000 or 0.9% of expenditures. The 2014 budget includes about a \$227,000 fund balance appropriation and a tax levy increase within the LD1 limit. Management budgeted for no major changes in revenues and expenditures, and with six months remaining in the current fiscal year, expenditures are tracking on target while revenues are slightly above budget.
- Supporting the town's finances is liquidity we consider very strong, with total government available cash at 47.8% of total governmental fund expenditures and above 2,400% of debt service. We believe the town has strong access to external liquidity, and its cash is invested in highly liquid collateralized bank deposits.

- We view the town's management conditions as strong with good financial practices. In formulating the budget, management focuses on monthly expenditures and uses five years of historical data when making its assumptions. Budget-to-actual results are reviewed monthly with the council. While there is no formal long-term financial plan, the town does have a five-year capital improvement plan. It also has a formal investment policy and reports holdings monthly to the council. The town also maintains a formal debt management policy. Its fund balance policy calls for a reserve of at least 10% of the previous fiscal year's total general fund revenues. The town is currently in compliance with this policy.
- The debt and contingent liability profile is very strong, with total governmental fund debt service at just 2% of total governmental fund expenditures, and net direct debt at 50.5% of total governmental fund revenue. Overall net debt is extremely low at 0.8% of market value, and 68% of debt will be amortized in the next 10 years. Management has no plans for additional debt issuance.
- Bar Harbor participates in the Maine Public Employees Retirement System. The town pays 100% of the annual required contribution (ARC) as determined by the state. At present, contributions related to the teachers' group are made by the Maine Department of Education on the town's behalf. Bar Harbor also provides other postemployment benefits (OPEB) as an implicit rate subsidy to certain retirees. As of July 1, 2012, its unfunded actuarial accrued liability was \$582,677 and was 0% funded. The combined pension and OPEB contributions amounted to 0.7% of governmental expenditures.
- We consider the Institutional Framework score for Maine towns strong.

## Outlook

The stable outlook reflects our view of the town's consistently very strong financial performance and underlying economy, which are supported by a strong management. The diverse property tax base should ensure that revenues remain strong and consistent. We do not expect the issuance of additional debt to hurt the town's very strong debt profile. We do not anticipate changing the rating in our two-year outlook horizon as we expect Bar Harbor to maintain very strong budgetary flexibility and liquidity.

## Related Criteria And Research

### Related Criteria

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

### Related Research

S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

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