



Bar Harbor (Town of) ME

Moody's Rating

Issue	Rating
General Obligation Bonds, Series 2010	A1
Sale Amount	\$4,300,000
Expected Sale Date	05/04/10
Rating Description	General Obligation Bonds, 2010

NEW YORK, April 30, 2010 -- Moody's Investors Service has assigned an A1 rating to the Town of Bar Harbor's \$1.6 million 2010 General Obligation Bonds. At this time, Moody's has also affirmed the A1 rating on the town's \$14.3 million in outstanding parity bonds, including the current issue. The current issue is secured by the town's limited property tax pledge and proceeds will be used to permanently finance \$600,000 in self-supporting water system upgrades as well as other town capital needs. The A1 rating reflects the town's moderately-sized coastal resort community, sound financial position characterized by sizable transfers for capital spending and low debt burden.

COASTAL TAX BASE BENEFITS FROM INSTITUTIONAL STABILITY

Moody's expects Bar Harbor's \$1.5 billion tax base will experience long-term growth given its desirable resort location and employment opportunities. Outside of a revaluation in fiscal 2007, which saw a 60% jump in assessed values, the town's valuation has grown at a modest 1.57% average annual rate over the previous three years. Over the same period, full value has grown at a pace of 4.37% evidencing solid market value appreciation during the national recession. The town's substantial full value per capita of \$289,832, reflects its appeal as a resort community and preponderance of second homes (approximately one-third of residences). Income levels are enhanced by year-round stable employment opportunities in the town and exceed state and national averages and the town's population of nearly 5,000 is estimated to increase to approximately 18,000 in the summer. The Jackson Laboratory (revenue bonds rated A1/stable outlook), a non-profit research center with 1,177 employees, is the town's top employer. Additional major employers are Mount Desert Island Hospital, employing roughly 470, Acadia National Park, employing approximately 241 year-round full-time equivalents, and the College of the Atlantic, with 115 employed. The presence of these institutions provides year-round local economic stability, which is an important credit strength for Bar Harbor.

STABLE FINANCIAL POSITION WITH ADDITIONAL FLEXIBILITY IN CAPITAL RESERVES

Bar Harbor's financial position is expected to remain strong, despite recessionary pressures including reduced state aid, given its conservative budgeting practices and policies as well as the significant financial flexibility provided by its \$2 million capital reserve. The 2009 general fund balance equaled \$1.7 million, a moderate \$293,000 decline from fiscal 2008 but a still-reasonable 11.7% of general fund revenues. The town has a policy of designating 10% of the previous year's revenues as general fund balance. The town continues to budget annual transfers of at least \$1 million to the capital reserve, providing significant budgetary flexibility. Through this practice, the town has built a \$2 million reserve for future capital spending. Since 2006 transfers have averaged \$1.3 million, and after moderate annual pay-as-you-go spending the fund has maintained a balance of approximately \$2 million. Bar Harbor has regularly exceeded the state's LD-1 limit on property tax growth since its inception in 2005; recently the town has not levied up to the full limit, leaving a modest margin. Operations in fiscal 2010 are expected to be balanced, with revenues and expenditures producing comfortable margins relative to budget, yielding a modest surplus. The town is projecting flat assessed valuation and a 4.2% increase in the property tax rate to balance the fiscal 2011 budget. Bar Harbor is heavily reliant on property taxes, which represented 87% of general fund revenues in fiscal 2009. The town has limited enterprise risk after acquisition of a private water system; current enterprises are self-supporting through water and sewer system revenues,

although operating deficits are occasionally incurred prior to rate increases, which for the water system must be approved by Maine's Public Utility Commission. Moody's expects the town to continue to manage its financial position in compliance with its financial policies, with balanced annual operations and healthy reserve levels.

AFFORDABLE DEBT BURDEN WITH MANAGEABLE FUTURE BORROWING PLANS

Moody's anticipates that Bar Harbor's modest overall debt burden (0.9% of full value) will remain low given limited future borrowing plans and rapid amortization of principal (78.8% within ten years), which is comfortably above its policy to retire debt at a pace of at least 60% within ten years. Recently-adopted debt policies set a maximum for outstanding debt of 5% of assessed valuation, well above current debt levels and state statute. The town's five-year capital improvement plan totals \$12.5 million, including the current issue. Ongoing roadwork (\$8.7 million) claims the majority of the plan; other larger projects include town office building renovations (\$1.3 million) and various school upgrades (\$564,000). Also under consideration are a \$2 million public works and water department building and a \$1 million affordable housing project. Debt service claimed a very reasonable 0.3% of expenditures in fiscal 2009 and the increase from this issue is not expected to significantly impact the annual debt service burden. Bar Harbor has issued only fixed-rate debt and has no exposure to derivatives.

KEY STATISTICS

2008 Population (est. US Census): 5,129 (+6.4% since 2000)
2010 Full Valuation: \$1.5 billion
2010 Full Value Per Capita: \$289,832
Overall Debt Burden: 0.9%
Direct Debt Burden: 0.7%
Payout of Principal (10 years): 78.8%
FY09 General Fund Balance: \$1.77 million (11.7% of General Fund Revenues)
2000 Per Capita Income: \$24,103 (123.4% of ME, 111.7% of US)
2000 Median Family Income: \$51,989 (115.1% of ME, 103.9% of US)
Post-sale Long-Term Debt Outstanding: \$13.7 million

RECALIBRATION OF RATING TO THE GLOBAL RATING SCALE; PRINCIPAL METHODOLOGY

The rating assigned to the Town of Bar Harbor, Maine's 2010 General Obligation Bonds was issued on Moody's municipal rating scale. Moody's has announced its plans to recalibrate all U.S. municipal ratings to its global scale and therefore, upon implementation of the methodology published in conjunction with this initiative, the rating will be recalibrated to a global scale rating comparable to other credits with a similar risk profile. Market participants should not view the recalibration of municipal ratings as rating upgrades, but rather as a recalibration of the ratings to a different rating scale. This recalibration does not reflect an improvement in credit quality or a change in our credit opinion for rated municipal debt issuers. For further details regarding the recalibration please visit www.moody.com/gsr.

The principal methodology used in assigning the rating was Moody's "General Obligation Bonds Issued by U.S. Local Governments," published in October, 2009, and available on www.moody.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

The last rating action was on January 5, 2005 when the A1 rating for the Town of Bar Harbor, Maine was affirmed.

ANALYSTS:

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