

Summary:

Bar Harbor, Maine; General Obligation

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Credit Profile		
US\$5.06 mil GO bndsser 2011 dtd 09/15/2011 due 12/01/2031		
<i>Long Term Rating</i>	AA/Stable	New
Bar Harbor Twn GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Bar Harbor Twn GO bnds		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

Rationale

Standard & Poor's Ratings Services has assigned its 'AA' long-term rating to the town of Bar Harbor, Maine's series 2011 general obligation (GO) bonds and affirmed its 'AA' long-term and underlying ratings (SPURs) on the town's previously issued GO debt.

The 'AA' ratings reflect our opinion of the town's:

- Stable, albeit seasonal, economic base rooted in tourism;
- Stable property tax base, with strong wealth and good income measures;
- Strong financial position, coupled with good financial management policies; and
- Low debt burden, coupled with limited future capital needs.

The town's full faith and credit pledge secures the bonds. Town officials plan to use series 2011 bond proceeds to refund the town's series 2001 GO bonds to fund various sewer system, water system, and general purpose capital projects.

Bar Harbor is on the coast of Maine in southern Hancock County, about 45 miles south of Bangor, Maine ('AA' GO debt rating). Acadia National Park, with more than four million annual visitors, ranking it second among all national parks, is adjacent to the town. The town's local economy is somewhat seasonal, given its proximity to the national park, which has strong tourist activity in the summer months. The town has also become a popular cruise line stop during the summer, which helps to further fuel summer retail activity along the harbor; the estimated economic impact of the cruise ships on the region is about \$10 million. 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. Nevertheless, the town's unemployment trends reflect the seasonality of the local economy. In 2010, unemployment peaked at 17.6% in February, only to fall to just 4% in August. The 2010 annual unemployment rate averaged 10%.

In our opinion, income levels are good, with median household effective buying income measuring 92% and 102% of national and state averages, respectively.

The town's estimated population is about 15,000 to 20,000 in the summer months.

The town's property tax base has been relatively stable during the recession despite some softening in regional home values. After growing 2% and 3% for fiscals 2009 and 2010, respectively, assessed valuation (AV) decreased 2% for fiscal 2011 to \$1.41 billion. Corresponding state equalized value (EQV) decreased nearly 3% to \$1.44 billion, equal to \$283,000 per capita based on the year-round population of 5,100. The town's population swells to between 15,000 and 20,000 during the summer months, which would lower the per capita market valuation to between roughly \$72,000 and \$96,000. The tax base is very diverse, in our opinion, with the 10 leading taxpayers accounting for 7.1% of total AV.

We consider Bar Harbor's financial position to be strong. After modest operating deficits in fiscals 2008 and 2009, the town closed fiscal 2010 with a \$560,000 operating surplus (3.5% of budget), bringing its unreserved general fund balance to \$2.33 million, or 14.7% of general fund expenditures and transfers. For fiscal 2011, town management estimates that it has added about \$100,000 to \$150,000 to the unreserved general fund balance.

The town balanced its fiscal 2012 budget with no appropriation of fund balance.

Property taxes continue to be the town's primary revenue source, accounting for about 88% of budgeted general fund revenues; current-year collections have average 96.5% over the past three fiscal years. Intergovernmental aid accounts for just 2.3% of total general fund revenue; as such, we do not believe the town is particularly susceptible to state or federal cuts.

Standard & Poor's considers Bar Harbor's financial management practices "good" under its Financial Management Assessment methodology, indicating that the town's management policies and practices are good, but not all are formal or monitored regularly.

Bar Harbor's debt profile is favorable, in our opinion. Excluding the town's self-supported enterprise debt, we consider the overall net debt burden low at \$1,867 per capita, or 0.7 % of EQV. Including the town's outstanding enterprise debt, amortization of new existing principal is above average, with about 80% retired by year-end 2021. The town has a five-year, roughly \$12 million capital improvement plan. After this issuance, the town will not have authorized unissued debt, but management expects to issue bonds roughly \$4.5 million in calendar year 2013.

Outlook

The outlook is stable. We do not expect our rating on the town of Bar Harbor's GO debt to change within the two-year outlook period given the town's strong reserve position and stable tax base. However, should a significant drawdown on the town's fund balance occur, leading to substantially less financial flexibility, we could lower the rating.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008

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