

### Summary:

## Bar Harbor, Maine; General Obligation

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### Table Of Contents

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Rationale

Outlook

Related Criteria And Research

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Credit Profile		
US\$4.3 mil GO bnds		
<i>Long Term Rating</i>	AA/Stable	New
Bar Harbor Twn GO		
<i>Long Term Rating</i>	AA/Stable	Upgraded
<b>Bar Harbor Twn GO bnds</b>		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.

## Rationale

Standard & Poor's Ratings Services has raised its long-term rating and underlying rating (SPUR) on the town of Bar Harbor, Maine's general obligation (GO) debt outstanding to 'AA' from 'AA-', reflecting the town's continued strong financial position and considerable property tax base. The town's series 2010 GO bonds have been rated 'AA'.

Additional credit factors include the town's:

- Steady economic base rooted in tourism, which is exhibiting signs of slight seasonality within the unemployment rate;
- Adequate-to-good wealth and income factors;
- Good fiscal management with the inclusion of a formal fund balance policy; and
- Low debt burden, coupled with limited future capital needs.

The town's full faith and credit pledge secures the bonds. The town is using the bond proceeds to fund various capital improvement 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 has also become a popular cruise line stop (98 total ships expected in 2010, pumping an estimated \$10 million into the region annually), which helps drive summer retail activity along the harbor. Income levels are adequate to good, with median household and per capita effective buying income measuring 88% and 108% of the national averages, respectively. The unemployment rate was 12.3% (seasonally unadjusted), above both state and national averages and reflects some seasonality within the employment and economic bases. The town's population is estimated at about 15,000 to 20,000 in the summer months. Several leading employers--The Jackson Laboratory, Mount Desert Island Hospital, MDI Bio Laboratory, and the College of the Atlantic--mitigate the seasonality in the workforce and attract a higher-income labor segment that helps to drive the local real estate market. Management reports that Jackson Laboratory, a world leader in biomedical mammalian genetic research, is still looking to expand its workforce and physical campus; the company employed 1,177 in 2010 and is the largest employer in the local area.

Assessed valuation (AV) has continued to grow, reaching \$1.4 billion for fiscal 2010. Annual growth has averaged about 1.6% since the most recent revaluation was conducted in 2006. Market value is extremely high at roughly \$284,600 per capita. According to management, appreciation along the residential shorefront continues to drive the vast majority of the tax base growth. The tax base is diverse, with the 10 leading taxpayers accounting for 7.34% of total AV.

Bar Harbor's financial position has been very consistent, averaging a 12.7% unreserved general fund balance annually since 2005. The town has posted general fund operating deficits after transfers the past two years, which management attributes to winter storm expenses coming in higher than expected coupled with reduced local revenues as a result of the overall economic downturn. However, reserve levels remained strong once again in fiscal 2009; the total unreserved fund balance was approximately \$1.7 million, which accounted for 11.23% of operating expenditures after transfers. Property taxes are the town's primary revenue source, accounting for about 81% of general fund revenues for fiscal 2009. The town is not dependent on state aid, which accounts for less than 3% of total general fund resources. Management reports increased revenues and reduced winter storm expenditures for fiscal 2010, resulting in a projected operating surplus of about \$150,000. The fiscal 2011 budget is currently balanced, and includes a 4.2% increase to the mill rate.

Standard & Poor's considers Bar Harbor's financial management practices "good" under its Financial Management Assessment methodology, indicating that the town's current management policies are good, but not comprehensive. A formal fund balance policy requires that at least 10% of the town's last audited general fund revenues be designated in the unreserved general fund balance as "Designated for Working Capital". The policy also stipulates that fund balances cannot routinely be used to decrease taxes. Additional financial management highlights include formal debt management and investment policies, a five-year capital improvement program with funding sources identified, and monthly reporting to the council regarding budget-to-actual results and investment performance.

Bar Harbor's debt profile is favorable. Excluding the town's enterprise debt, which is self-supporting, the overall net debt burden is a low \$1,516 per capita, or a low 0.4% of total market value. The town's carrying charges are also low, as debt service payments, net of enterprise obligations, accounted for less than 3% of general fund expenditures in the fiscal 2009 budget. Including the town's outstanding enterprise debt, amortization of existing principal is above average, with about 73% of existing debt being retired over 10 years. The town has a five-year, roughly \$12.5 million capital improvement plan, which includes various small capital projects. After the upcoming issuance, the town has a remaining balance of approximately \$708,000 of bonds authorized by the voters in 2009 that will likely be used by 2012. There is also a possibility that the town may issue \$1 million in BANs in the near future to fund infrastructure improvements at a mixed-income housing development.

## Outlook

The stable outlook reflects our expectation that the town will maintain its strong financial position and that the town's debt burden will remain low with modest future capital needs. The stable outlook also reflects the strength of the property tax base.

## **Related Criteria And Research**

USPF Criteria: GO Debt, Oct. 12, 2006

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