

ISSUER COMMENT

15 March 2017

RATING

General Obligation (or GO Related)¹

Aa2 No Outlook

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Town of Bar Harbor, ME

Annual Comment on Bar Harbor

Issuer Profile

The Town of Bar Harbor is located along the coast of Maine in Hancock County, approximately 80 miles east of Augusta. Hancock County has a population of 54,696 and a population density of 34 people per square mile. The county's per capita personal income is \$40,289 (2nd quartile) and the November 2016 unemployment rate was 4.8% (3rd quartile).² The largest industry sectors that drive the local economy are retail trade, health services, and accommodation/food services.

Credit Overview

Bar Harbor's credit position is very strong, and its Aa2 rating is slightly higher than the US city median of Aa3. The rating reflects a healthy financial position, a healthy economic profile and tax base, and manageable debt and pension burdens.

Finances: The financial position of the town is very solid and is slightly favorable relative to the assigned rating of Aa2. The net cash balance as a percent of revenues (43.7%) is slightly stronger than the US median. On the other hand, Bar Harbor's available fund balance as a percent of operating revenues (15.4%) is materially lower than other Moody's-rated cities nationwide and decreased modestly between 2013 and 2016.

Economy and Tax Base: The town has a very healthy economy and tax base, which are aligned with its Aa2 rating. The full value per capita (\$272,932) is much stronger than the US median and grew slightly from 2013 to 2016. In addition, the total full value (\$1.4 billion) is consistent with the US median. Lastly, the median family income equals 104.1% of the US level.

Debt and Pensions: The debt and pension burdens of Bar Harbor are low and are a modest credit strength in relation to the Aa2 rating assigned. The town's net direct debt to full value (0.8%) is under other Moody's-rated cities nationwide. Moreover, the Moody's-adjusted net pension liability to operating revenues (0.42x) favorably is materially below the US median. On the contrary, this ratio unfavorably grew slightly between 2013 and 2016.

Management and Governance: Balanced financial operations exhibit good financial management. In this instance, Bar Harbor approximately broke even while the tax base expanded modestly.

Maine cities have an institutional framework score ³ of Aa, which is high compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. Cities' major revenue source, property taxes, are subject to a cap, which can be overridden at the local level. The cap is based on statewide personal income

growth and local property growth. The cap allows for moderate revenue-raising ability. Taxes raised for school purposes, including school debt service, are not subject to the cap. Unpredictable revenue fluctuations tend to be minor, or under 5% annually. Across the sector, fixed and mandated costs are generally greater than 25% of expenditures. Maine has public sector unions, which can limit the ability to cut expenditures. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

Sector Trends - Maine Cities

Maine's economy continues to underperform, resulting in slow state revenue growth and therefore flat state aid to cities. As a result, cities will continue to increase property taxes, within the limits of the state-wide property tax cap, to fund expenditure growth. Positively, most cities have excess levy capacity under the cap that could mitigate future unexpected declines in state aid. Property values are stabilizing, but new growth in 2016 will remain limited. Cities will only experience slight benefits from employment growth as this growth is primarily in low paying jobs.

EXHIBIT 1

Key Indicators^{4 5}

Bar Harbor, ME

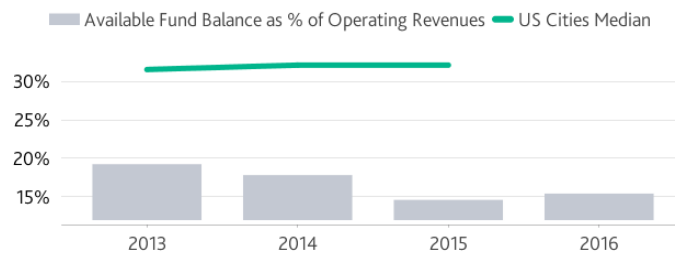
	2013	2014	2015	2016	US Median	Credit Trend
Economy / Tax Base						
Total Full Value	\$1,384M	\$1,391M	\$1,404M	\$1,429M	\$1,722M	Stable
Full Value Per Capita	\$263,321	\$263,940	\$265,125	\$272,932	\$85,195	Stable
Median Family Income (% of US Median)	121.6%	111.7%	104.1%	104.1%	115.2%	Weakened
Finances						
Available Fund Balance as % of Operating Revenues	19.2%	17.8%	14.6%	15.4%	32.1%	Stable
Net Cash Balance as % of Operating Revenues	45.6%	47.2%	52.9%	43.7%	34.4%	Stable
Debt / Pensions						
Net Direct Debt / Full Value	0.85%	0.53%	0.79%	0.82%	1.2%	Stable
Net Direct Debt / Operating Revenues	0.65x	0.39x	0.58x	0.59x	0.94x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	N / A	0.54%	0.56%	0.59%	1.7%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	N / A	0.41x	0.41x	0.42x	1.35x	Stable

Source: Moody's

EXHIBIT 2

Available fund balance as a percent of operating revenues decreased from 2013 to 2016

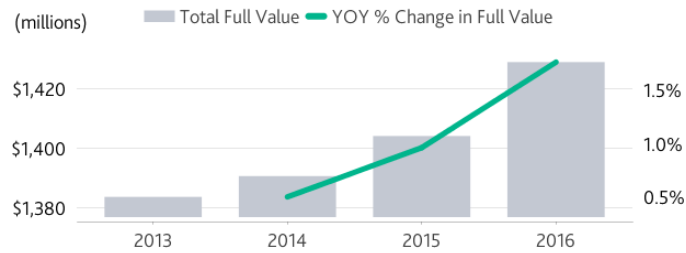
Available Fund Balance as a Percent of Operating Revenues



Source: Issuer financial statements; Moody's

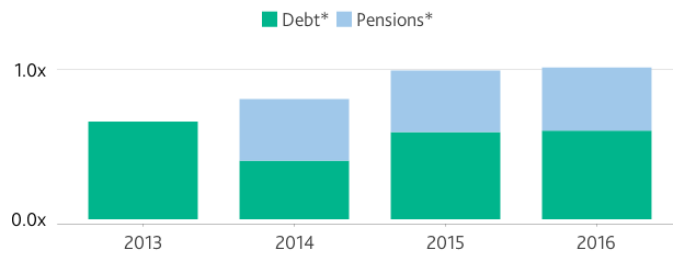
This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

EXHIBIT 3

Full value of the property tax base increased between 2013 and 2016**Total Full Value**

Source: Issuer financial statements; Government data sources; Offering statements; Moody's

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues grew from 2013 to 2016**Net Direct Debt and Adjusted Net Pension Liability / Operating Revenues**

*Debt is represented as Net Direct Debt / Operating Revenues. Net Direct Debt is defined as gross debt minus self supporting debt. Pensions are represented as ANPL / Operating Revenues. ANPL is defined as the average of Moody's-adjusted Net Pension Liability in each of the past three years.

Source: Issuer financial statements; Government data sources; Offering statements; Moody's

Endnotes

- 1 The rating referenced in this report is the government's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally a security backed by the full faith and credit pledge and total taxing power of the local government. See [Local Government GO Pledges Vary Across States](#), for more details. GO-related ratings include issuer ratings, which are GO-equivalent ratings for governments that do not issue GO debt. GO-related ratings also include ratings on other securities that are notched or otherwise related to what the government's GO rating would be, such as annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantee or enhancement programs or bond insurance.
- 2 The per capita personal income data and unemployment data for all counties in the US census are allocated to quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile. The first quartile consists of the top 25% of observations in the dataset, the second quartile consists of the next 25%, and so on. The median per capita personal income for US counties is \$46,049 for 2014. The median unemployment rate for US counties is 3.6% for November 2016.
- 3 The institutional framework score measures a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(January 2014\)](#) for more details.
- 4 For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). The population figure used in the Full Value Per Capita ratio is the most recently available, most often sourced from either the US Census or the American Community Survey. Similarly, the Median Family Income data reported as of 2012 and later is always the most recently available data and is sourced from the American Community Survey. The Median Family Income data prior to 2012 is sourced from the 2010 US Census. The Full Value figure used in the Net Direct Debt and Moody's-adjusted Net Pension Liability (3-year average ANPL) ratios is matched to the same year as audited financial data, or if not available, lags by one or two years. Certain state-specific rules also apply to Full Value. For example, in California and Washington, assessed value is the best available proxy for Full Value. Certain state specific rules also apply to individual data points and ratios. Moody's makes adjustments to New Jersey local governments' reported financial statements to make it more comparable to GAAP. Additionally, Moody's ANPLs reflect analyst adjustments, if any, for pension contribution support from non-operating funds and self-supporting enterprises. Many local government pension liabilities are associated with its participation in the statewide multiple-employer cost-sharing plans. Metrics represented as N/A indicate the data were not available at the time of publication.
- 5 The medians come from our most recently published local government medians report, [Medians – Growing Tax Bases and Stable Fund Balances Support Sector's Stability \(March 2016\)](#). The medians conform to our US Local Government General Obligation Debt rating methodology published in January 2014. As such, the medians presented here are based on the key metrics outlined in the methodology and the associated scorecard. The appendix of this report provides additional metrics broken out by sector, rating category, and population. We use data from a variety of sources to calculate the medians, many of which have differing reporting schedules. Whenever possible, we calculated these medians using available data for fiscal year 2014. However, there are some exceptions. Population data is based on the 2010 Census and Median Family Income is derived from the 2012 American Community Survey. Medians for some rating levels are based on relatively small sample sizes. These medians, therefore, may be subject to potentially substantial year-over-year variation. Our ratings reflect our forward looking opinion derived from forecasts of financial performance and qualitative factors, as opposed to strictly historical quantitative data used for the medians. Our expectation of future performance combined with the relative importance of certain metrics on individual local government ratings account for the range of values that can be found within each rating category. Median data for prior years published in this report may not match last year's publication due to data refinement and changes in the sample sets used, as well as rating changes, initial ratings, and rating withdrawals.

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