MOODY'S
INVESTORS SERVICE

ISSUER COMMENT
23 March 2018

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 54,483 and a low population density of 34 people per square mile. The county's median family income is $64,347 (2nd quartile) and the December 2017 unemployment rate was 3.6% (2nd quartile) [2] . The largest industry sectors that drive the local economy are retail trade, health and scientific services, and accommodation/food services. Tourism is a large part of the town's economy.

Credit Overview

Bar Harbor's credit position is very strong, and its Aa2 rating is slightly above the median rating of Aa3 for US cities. The notable credit factors include a negligible pension liability, an affordable debt burden and a robust financial position. The credit position also reflects a healthy wealth and income profile and a solid tax base.

Debt and Pensions: Overall, the town has small debt and pension liabilities, which are slightly favorable in comparison to the assigned rating of Aa2. The Moody's-adjusted net pension liability to operating revenues (0.34x) favorably is materially below the US median, and remained flat from 2014 to 2017. Additionally, the net direct debt to full value (0.7%) is lower than the US median.

Finances: The town has a very healthy financial position overall, which is relatively strong when compared to its Aa2 rating. Bar Harbor's cash balance as a percent of operating revenues (44.2%) slightly exceeds other Moody's-rated cities nationwide, and was flat from 2013 to 2017. However, the fund balance as a percent of operating revenues (16.5%) is materially lower than the US median. The difference between the cash and fund balances is driven by interfund liabilities.

Economy and Tax Base: Overall, the town's economy and tax base are very healthy and are in line with the assigned rating of Aa2. The full value per capita ($285,310) is much stronger than the US median, and increased between 2013 and 2017. In addition, the median family income equates to 104.1% of the US level. Also, Bar Harbor's total full value ($1.5 billion) is consistent with other Moody's-rated cities nationwide. Tourism is a large part of the town's economy.

Management and Governance: 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 overriden 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

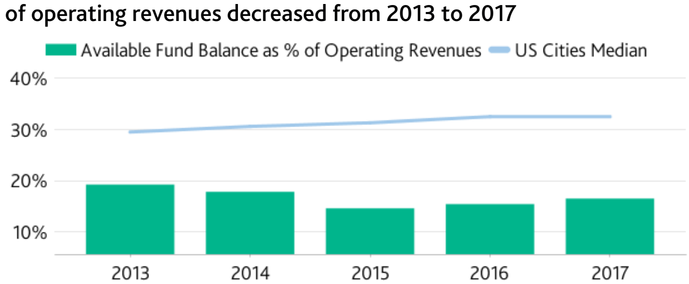
	2013	2014	2015	2016	2017	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	$1,383M	$1,390M	$1,404M	$1,428M	$1,493M	$1,787M	Improved
Full Value Per Capita	$263,321	$263,940	$265,125	$272,932	$285,310	$88,380	Improved
Median Family Income (% of US Median)	122%	112%	104%	104%	104%	113%	Weakened
Finances							
Available Fund Balance as % of Operating Revenues	19.2%	17.8%	14.6%	15.4%	16.5%	32.5%	Stable
Net Cash Balance as % of Operating Revenues	45.6%	47.2%	52.9%	43.7%	44.2%	35.4%	Stable
Debt / Pensions							
Net Direct Debt / Full Value	0.8%	0.5%	0.8%	0.8%	0.7%	1.2%	Stable
Net Direct Debt / Operating Revenues	0.65x	0.39x	0.58x	0.59x	0.53x	0.93x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	N/A	0.5%	0.6%	0.6%	0.5%	1.7%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	N/A	0.41x	0.41x	0.42x	0.34x	1.46x	Stable

	2013	2014	2015	2016	2017	US Median
Debt and Financial Data						
Population	5,255	5,269	5,296	5,235	5,235	N/A
Available Fund Balance ($000s)	$3,490	$3,314	$2,796	$3,051	$3,357	$7,221
Net Cash Balance ($000s)	$8,265	$8,776	$10,132	$8,648	$8,980	$7,930
Operating Revenues ($000s)	$18,135	$18,594	$19,152	$19,780	$20,334	$21,262
Net Direct Debt ($000s)	$11,709	$7,311	$11,047	$11,722	$10,689	$18,822
Moody's Adjusted Net Pension Liability (3-yr average) ($000s)	N/A	$7,566	$7,874	$8,372	$6,876	$29,896

Source: Moody's Investors Service

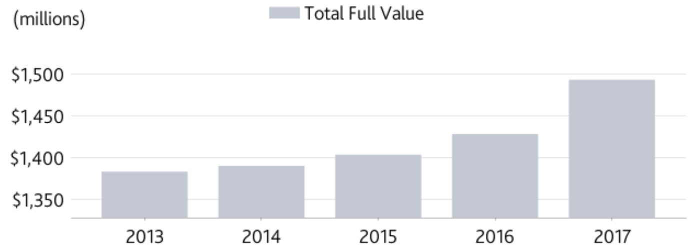
EXHIBIT 2

Available fund balance as a percent of operating revenues decreased from 2013 to 2017



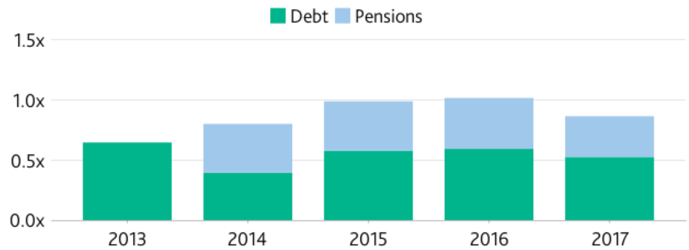
Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3
Full value of the property tax base increased from 2013 to 2017



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

EXHIBIT 4
Moody's-adjusted net pension liability to operating revenues decreased from 2013 to 2017



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

Endnotes

1 The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, 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 guarantees, enhancement programs or bond insurance.

2 The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.

The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into 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.

3 The institutional framework score assesses 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 (December 2016) methodology report 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) . 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 - Tax Base Growth Reinforces Sector Stability as Pension Troubles Remain (March 2017) which is available on Moodys.com. The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

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