

RatingsDirect®

Summary:

Bar Harbor, Maine; General Obligation

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Credit Profile

US\$55.235 mil GO bnds ser 2023 due 10/15/2043

Long Term Rating

AAA/Stable

New

Bar Harbor Twn GO

Long Term Rating

AAA/Stable

Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AAA' long-term rating to the Town of Bar Harbor, Maine's approximately \$55 million series 2023 general obligation (GO) bonds.
- At the same time, we affirmed our 'AAA' rating on the town's GO debt outstanding.
- The outlook is stable.

Security

The town's full-faith-and-credit pledge secures the bonds. Although Bar Harbor is not restricted to a particular revenue source, it has the power to levy ad valorem property taxes for bond repayment, subject to limitations of the state's LD-1 legislation. Despite limitations imposed by the state-levy limit law, we did not make a rating distinction for the limited-tax GO pledge due to the town's flexibility under the levy limit.

Bond proceeds will be used for sewer, water, and storm sewer projects (\$43.9 million) along with other capital projects and will redeem series 2011 and 2013 bonds outstanding.

Credit overview

The town of Bar Harbor, perhaps best known for being the gateway to Acadia National Park and for its coastal location and seashore, benefits from considerable seasonable tourism that did not significantly decline during the pandemic partially due to its proximity to the national park. While not directly linked to a broad and diverse economy, Bar Harbor benefits from the stabilizing presence of Jackson Laboratory, which has over 1,500 employees and has long been the town's leading employer. The town has also been an active port for cruise ships; cruise ship activity has slowed in recent years with the pandemic, as passenger activity dropped to 149 ships disembarking 117,000 passengers in fiscal 2022 from 157 passenger ships disembarking approximately 233,000 passengers in fiscal 2019. In November 2022, citizens voted to limit the total daily number of cruise ship passengers to 1,000 people and in December 2022 the town was sued to stop implementation of the referendum; the lawsuit is still ongoing but would not result in a financial settlement should the final opinion not be in favor of the town.

Bar Harbor has posted positive financial results for eight consecutive years, including in fiscal 2022 and expected to continue in fiscal 2023 based on preliminary year-end results. In addition, the town has maintained a cruise ship fund since 2010 to account for fees collected from visiting cruise ships and uses the money for capital projects along the

waterfront; the current fee is \$5.21 per passenger. Revenue collection dipped during the pandemic to \$210,000 in fiscal 2022 from \$1 million in fiscal 2019, but the town projects fiscal 2023 revenue of \$1 million will demonstrate somewhat of a recovery from pandemic-related impacts. If the referendum to limit the number of cruise ship passengers goes into effect, it would likely result in decreased revenue collections; however, we do not anticipate a potential decline would have a material impact on the town's finances or overall credit profile given it does not support a significant portion of general fund operations.

Bar Harbor's consistently positive budgetary results has supported available fund balance continuing to strengthen over the past several years. We expect the town will continue to produce at least breakeven results and, given there are no material plans to draw on reserves, will maintain very strong reserve levels.

After this issuance Bar Harbor will have \$66.7 million in total direct GO debt and capital leases, of which we consider about \$4.2 million in existing debt and \$36 million of the current issuance to be self-supporting debt backed by user fees in the water and wastewater enterprise funds. This bond issuance results in a weakening in our view of the town's debt profile to adequate levels; however, we do not view the weakened debt position as having a significant effect on the town's overall credit quality given its ability to incorporate increasing debt service into the budget. Bar Harbor is also in discussions for an elementary school project, which it currently expects to issue about \$58 million for within the next two years.

The long-term rating reflects our view the town's:

- Very strong economy with above-average wealth indicators, further supported by Jackson Laboratory's consideration as a stabilizing institutional influence;
- Strong financial management, with well-embedded policies and practices including formal investment, debt management and reserve policies and a five-year capital plan;
- Consistent budgetary performance with a predictable revenue profile comprised primarily of property taxes (75%) and intergovernmental aid (10%), further supporting very strong available reserve levels; and
- Adequate debt profile following this issuance, with potential for additional new-money debt plans over the outlook period for school projects. However, pension and other postemployment liabilities remain low and costs are not a source of budgetary pressure.

Environmental, social, and governance

Bar Harbor's environmental risks are elevated given its coastal location, which poses both acute physical risk from coastal flooding and chronic risks from sea level rise that could directly affect taxable properties. The town has taken steps to begin addressing these risks by implementing a Climate Action Plan, along with creating and funding staff positions and the Climate Emergency Task Force to inform its decisions on how to respond to climate change. Its goals include reducing the carbon footprint of the town, making improvements toward solar energy, increasing electrification of facilities and vehicles, and safeguarding its infrastructure from possible sea level rise. In addition, the town and its neighboring communities continually seek grants from the Environmental Protection Agency and other relevant governmental agencies to further study the effects of sea rise. We have also assessed Bar Harbor's social and governance risks and view them as neutral in our credit analysis.

Outlook

The stable outlook reflects our view that Bar Harbor will continue to produce balanced financial performance, further supporting maintenance of fund balance levels and good management practices.

Downside scenario

We could consider a negative rating action if weaker coverage levels result in a change in our view of self-supporting debt, further weakening the town's overall debt profile or if budgetary performance were to weaken leading to a deterioration of available reserves.

Rating Above the Sovereign

We rate Bar Harbor higher than the nation because we believe the town can maintain better credit characteristics than the U.S. in a stress scenario, due to its predominantly locally derived revenue base and our view that pledged revenue supporting debt service on the bonds is at limited risk of negative sovereign intervention. In 2022, local property taxes generated 75% of general fund revenue, demonstrating a lack of dependence on central government revenue. (See "Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions" published Nov. 19, 2013, on RatingsDirect.)

Bar Harbor, Maine--key credit metrics

	Most recent	Historical information		
		2022	2021	2020
Very strong economy				
Projected per capita EBI % of U.S.	109		107	115
Market value per capita (\$)	366,643	342,092	320,237	308,269
Population			5,564	5,557
County unemployment rate(%)		3.5		
Market value (\$000)	2,040,000	1,903,400	1,781,800	1,713,050
Ten largest taxpayers % of taxable value	10.2			
Strong budgetary performance				
Operating fund result % of expenditures		3.4	4.6	4.7
Total governmental fund result % of expenditures		9.6	7.6	5.2
Very strong budgetary flexibility				
Available reserves % of operating expenditures		22.1	20.6	17.7
Total available reserves (\$000)		5,850	5,212	4,282
Very strong liquidity				
Total government cash % of governmental fund expenditures		79	70	62
Total government cash % of governmental fund debt service		1203	1031	776
Strong management				
Financial Management Assessment	Good			
Adequate debt & long-term liabilities				
Debt service % of governmental fund expenditures		6.6	6.8	8.0

Bar Harbor, Maine--key credit metrics (cont.)

	Most recent	Historical information		
		2022	2021	2020
Net direct debt % of governmental fund revenue	94			
Overall net debt % of market value	1.3			
Direct debt 10-year amortization (%)	48			
Required pension contribution % of governmental fund expenditures		2.2		
OPEB actual contribution % of governmental fund expenditures		0.1		

Strong institutional framework

EBI--Effective buying income. OPEB--Other postemployment benefits. Data points and ratios may reflect analytical adjustments.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Ratings Detail (As Of July 27, 2023)

Bar Harbor Twn Go bnds		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Bar Harbor Twn Go bnds (fed taxable)		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Bar Harbor Twn GO bnds due 10/15/2035		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

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