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Summary:

Bar Harbor, Maine; General Obligation

Primary Credit Analyst:

Dylan Lindow, Boston +1 6175308033; dylan.lindow@spglobal.com

Secondary Contact:

Melissa Stoloff, Boston (1) 617-530-8030; melissa.stoloff@spglobal.com

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Summary:

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Credit Profile		
US\$56.36 mil GO bnds ser 2024 due 09/01/2054		
<i>Long Term Rating</i>	AAA/Stable	New
Bar Harbor Twn GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
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

Credit Highlights

- S&P Global Ratings assigned its 'AAA' long-term rating to the Town of Bar Harbor, Maine's approximately \$56.3 million series 2024 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

Bar Harbor's full faith and credit secures the bonds and previously issued debt, and the town can levy ad valorem property taxes without limitation for bond repayment. The town's GO debt is no longer subject to Maine's LD-1 limitations, as the state legislature's repeal of the municipal property tax levy limit became effective on Aug. 9, 2024.

Bond proceeds will be utilized for the construction of a new elementary school.

Credit overview

The rating reflects Bar Harbor's very strong economy, history of positive operating results supporting very strong reserves, and conservative budgeting practices stemming from comprehensive policies and practices. Located adjacent to Acadia National Park, which receives roughly 4 million visits per year, the town has a considerable seasonable tourism component. While not directly linked to a broad and diverse economy, the town benefits from the stabilizing presence of Jackson Laboratory, which has roughly 1,500 employees and is the leading employer and wastewater customer. Bar Harbor has seen roughly 28% growth in the tax base over the past three years from the development of new hotels and residential homes. In addition to its economic strengths, Bar Harbor's financial performance has historically been positive in each of the last 10 years. The majority of the town's revenues derive from local taxes (70%) and departmental revenues (16%); it also benefits from unique revenue-generating capabilities in which the town collects fees from visiting cruise ships and uses the money for capital projects along the waterfront.

The town has recently concluded a lawsuit over tension surrounding tourism that resulted in \$400,000 in expenses paid for out of the operating fund in both 2023 and 2024. Fiscal 2023 ended with another surplus and an addition to fund balance, an increase of 8.4% from the previous year; estimated results for fiscal 2024 indicate this trend has continued, with positive results largely driven by higher-than-expected building permit and parking fee revenues, likely resulting in another \$250,000 addition to fund balance. The town's fiscal 2025 budget, totaling \$31.1 million, is a 16% increase over the previous year, with no material deviations from previous years, along with a tax rate increase, to \$10.04 from \$8.68, that demonstrates its overall revenue-raising abilities.

Partially offsetting these strengths is the town's very weak debt burden. After this issuance, Bar Harbor will have \$114.4 million in total direct debt, about \$39.8 million of which we consider to be self-supporting debt backed by user fees. This bond issuance results in a weakening in our view of the town's debt profile, to very weak levels, as its total debt burden increases to 247% of revenue; however, we view the town's ability to incorporate increasing debt service into the budget and the lack of additional debt plans as imperative to its overall credit quality. Bar Harbor currently has limited pressure from pension and other postemployment benefits (OPEB), which have high funded ratios and low unfunded liabilities; associated costs are not likely to grow and put material stress on the budget.

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

- Very strong economy, with above-average wealth indicators and a sizable second-home presence, along with it being a popular vacation destination;
- Good financial management, with well-embedded policies and practices under our Financial Management Assessment methodology; including formal investment, debt management, and reserve policies, with a five-year capital plan and a strong institutional framework score;
- Consistently positive budgetary performance as a result of conservative budgeting practices and expenditure savings amid steady reserve levels, with no plans to draw on reserves; and
- Very weak debt profile following this issuance, with increasing debt burden and carrying charges, and low pension and OPEB liabilities and costs that are expected to keep total fixed costs modest.

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 a Climate Emergency Task Force to inform its decisions on how to respond to climate change. Its goals include reducing the town's carbon footprint, 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 (EPA) and other relevant governmental agencies to further study the effects of sea-level rise. We have also assessed Bar Harbor's social and governance risks and view them as neutral in our credit analysis.

Ratings 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 70% 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.)

Outlook

The stable outlook reflects our view that Bar Harbor will likely maintain very strong reserves through balanced operations, supported by the strengths in the economy and tax base.

Downside scenario

We could lower the rating if debt ratios were to worsen further given the sizable debt burden, causing budgetary performance to weaken and leading to deterioration of available reserves.

Bar Harbor--Key credit metrics				
	Most recent	Historical information		
		2023	2022	2021
Very strong economy				
Projected per capita EBI % of U.S.	112			
Market value per capita (\$)	479,388			
Population		5,099	5,636	5,564
County unemployment rate (%)		3.2		
Market value (\$000)	2,444,400	2,040,000	1,903,400	
Ten largest taxpayers % of taxable value	10.3			
Strong budgetary performance				
Operating fund result % of expenditures		1.0	3.4	4.6
Total governmental fund result % of expenditures		(2.3)	9.6	7.6
Very strong budgetary flexibility				
Available reserves % of operating expenditures		20.5	22.1	20.6
Total available reserves (\$000)		6,344	5,850	5,212
Very strong liquidity				
Total government cash % of governmental fund expenditures		56	79	70
Total government cash % of governmental fund debt service		1,256	1,203	1,031
Strong management				
Financial Management Assessment	Good			
Very weak debt & long-term liabilities				
Debt service % of governmental fund expenditures		4.4	6.6	6.8
Net direct debt % of governmental fund revenue	240			
Overall net debt % of market value	3.1			
Direct debt 10-year amortization (%)	38			
Required pension contribution % of governmental fund expenditures		2.2		

Bar Harbor--Key credit metrics (cont.)

	Most recent	Historical information		
		2023	2022	2021
OPEB actual contribution % of governmental fund expenditures		0.1		

Very 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

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