

## CREDIT OPINION

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## Town of Bar Harbor, ME

### Update to credit analysis

#### Summary

[Bar Harbor, ME](#) (Aa2) benefits from a moderately sized coastal resort tax base, well-managed financial position with sound reserves, manageable debt burden and low pension and OPEB liabilities.

#### Credit strengths

- » Stable tax base that benefits from institutional presence
- » Manageable debt burden
- » Modest pension and OPEB liabilities

#### Credit challenges

- » Moderate revenue raising ability due to property tax cap
- » Large tourism component to local economy

#### Rating outlook

Moody's does not usually assign outlooks to local government credits with this amount of debt outstanding.

#### Factors that could lead to an upgrade

- » Significant increase in reserves
- » Significant tax base expansion and diversification
- » Improvement in the demographic profile to levels more consistent with higher rating categories

#### Factors that could lead to a downgrade

- » Trend of operating deficits resulting in a material decline in reserves
- » Significant declines in the tax base or deterioration of the demographic profile
- » Significant increase in long term liabilities that materially raises fixed cost profile

## Key indicators

Exhibit 1

### Bar Harbor (Town of) ME

	2019	2020	2021	2022	Aa Medians
<b>Economy</b>					
Resident income ratio (%)	115.5%	114.5%	112.8%	N/A	115.4%
Full Value (\$000)	\$1,633,550	\$1,713,550	\$1,781,800	\$1,903,400	\$2,728,197
Population	5,470	5,527	5,098	N/A	23,462
Full value per capita (\$)	\$298,638	\$310,033	\$349,510	N/A	\$108,666
Economic growth metric (%)	N/A	-1.0%	0.1%	N/A	-0.6%
<b>Financial Performance</b>					
Revenue (\$000)	\$28,459	\$29,673	\$30,728	\$32,698	\$50,065
Available fund balance (\$000)	\$13,142	\$14,002	\$16,039	\$17,382	\$25,773
Net unrestricted cash (\$000)	\$14,541	\$16,589	\$19,066	\$22,183	\$34,793
Available fund balance ratio (%)	46.2%	47.2%	52.2%	53.2%	51.2%
Liquidity ratio (%)	51.1%	55.9%	62.0%	67.8%	69.5%
<b>Leverage</b>					
Debt (\$000)	\$21,395	\$19,884	\$18,072	\$16,292	\$35,801
Adjusted net pension liabilities (\$000)	\$6,583	\$8,778	\$13,358	\$11,690	\$58,004
Adjusted net OPEB liabilities (\$000)	\$1,383	\$1,558	\$1,396	\$1,102	\$6,701
Other long-term liabilities (\$000)	\$379	\$455	\$420	\$398	\$1,659
Long-term liabilities ratio (%)	104.5%	103.4%	108.2%	90.2%	248.8%
<b>Fixed costs</b>					
Implied debt service (\$000)	\$1,377	\$1,560	\$1,424	\$1,268	\$2,504
Pension tread water contribution (\$000)	\$208	\$250	\$316	\$164	\$1,672
OPEB contributions (\$000)	\$38	\$40	\$50	\$23	\$193
Implied cost of other long-term liabilities (\$000)	\$27	\$28	\$33	\$29	\$113
Fixed-costs ratio (%)	5.8%	6.3%	5.9%	4.5%	11.2%

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#).

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Hancock County, Maine to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Bar Harbor (Town of) ME's financial statements and Moody's Investors Service, US Bureau of Economic Analysis

## Profile

The Town of Bar Harbor is located along the coast of Maine in Hancock County, approximately 80 miles east of Augusta.

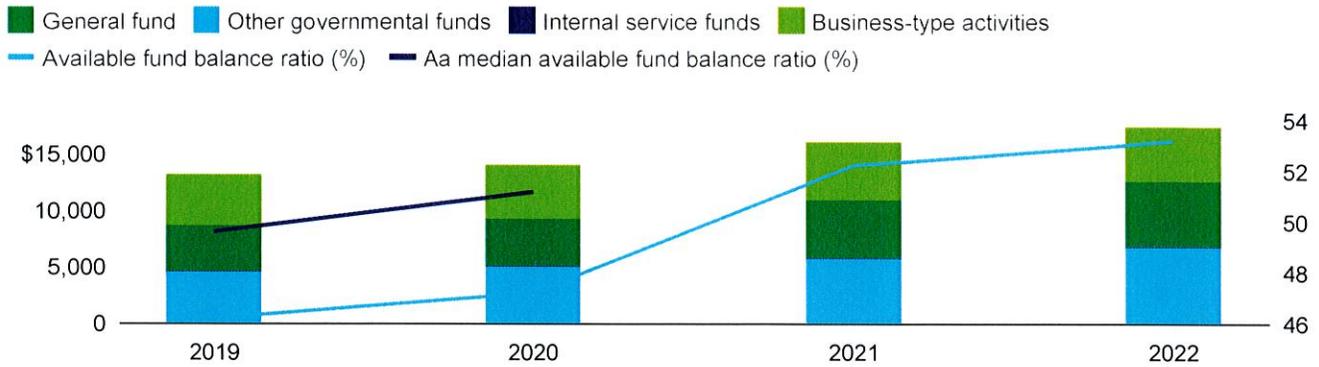
### Detailed credit considerations

The town will continue to benefit as a tourist destination due to its desirable, coastal location and proximity to Acadia National Park. Each year, over 100,000 people visit the town by cruise ship alone, from which the town receives a per passenger fee. On the commercial side, the town's largest employer, [Jackson Labs](#) (A1 stable), continues to expand in the community with various investments including developing affordable housing for its employees.

The 2023 bonds are being issued to address aging sewer infrastructure and combined sewer overflow problems. The town expects these projects to be completed by early 2025. Outside of these projects, future debt plans include an elementary school project that could cost nearly \$60 million. While that would increase the town's debt burden significantly, we expect any additional debt service will have a manageable impact on the town's currently low fixed costs profile of 5%. The town's financial position has remained very steady over the last five years with another small addition to fund balance expected when fiscal 2023 results are reported. The fiscal 2024 budget increased by a sizeable 8.5% as the town budgeted to hire four new EMS staff. The budget increase was financed by a 9.5% increase in the tax levy and \$128,500 of appropriated fund balance.

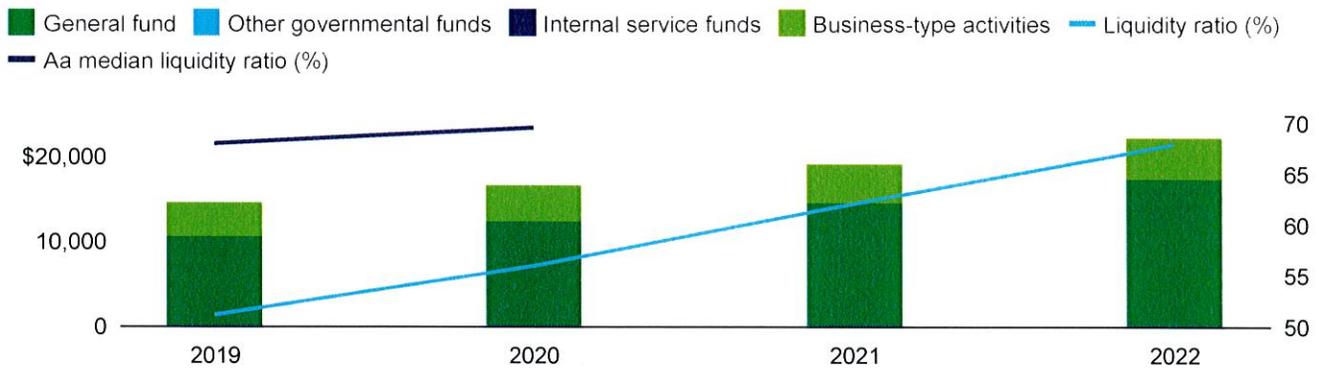
This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Exhibit 2  
Fund Balance



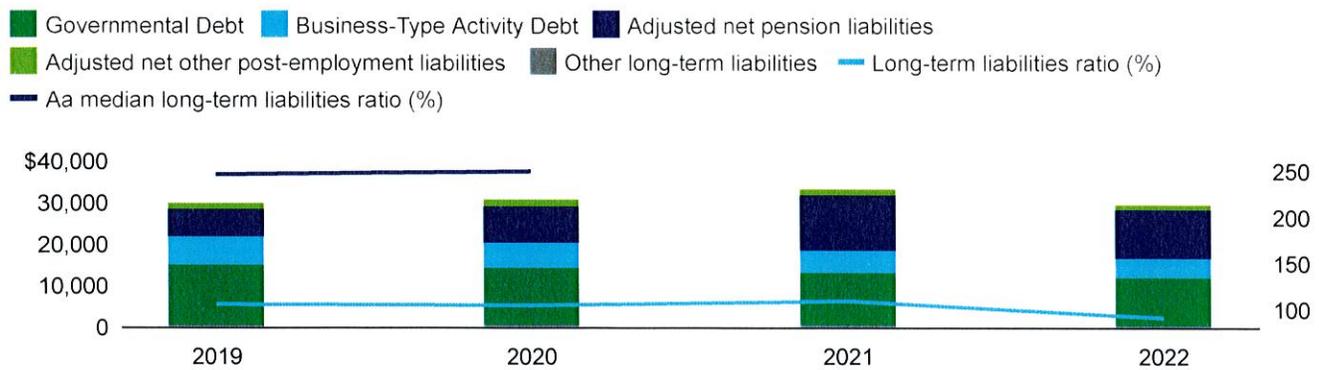
Source: Moody's Investors Service

Exhibit 3  
Cash



Source: Moody's Investors Service

Exhibit 4  
Total Primary Government - Long Term Liabilities



Source: Moody's Investors Service

## ESG considerations

### Bar Harbor (Town of) ME's ESG Credit Impact Score is Neutral-to-Low CIS-2

#### Exhibit 5 ESG Credit Impact Score

# CIS-2

## Neutral-to-Low



For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

Source: Moody's Investors Service

The town's ESG credit impact score is neutral to low (CIS 2), reflecting neutral to low exposure to environmental and social risks and positive governance profile.

#### Exhibit 6 ESG Issuer Profile Scores

ENVIRONMENTAL

# E-2

## Neutral-to-Low



SOCIAL

# S-2

## Neutral-to-Low



GOVERNANCE

# G-1

## Positive



Source: Moody's Investors Service

### Environmental

The town's **E-2** environmental issuer profile score reflects neutral to low exposure to environmental risks. The town's carbon transition, natural capital, and water and pollution risks are modest. Given the town's geographical location, physical climate risk is also neutral to low with no material exposure to sea level rise and moderate exposure to shocks from extreme weather events such as hurricanes and nor-easters.

### Social

The town's **S-2** social issuer profile score reflects neutral to low exposure to social risks. The town maintains moderate exposure to demographic risks, while maintaining positive exposure to education. Additionally, exposure to labor and income, housing, health and safety, and access to basic services are neutral to low.

### Governance

The town's governance issuer profile score is positive (**G-1**). The town has a favorable institutional structure and provides strong transparency and disclosure. The town also consistently approves and releases its budgets and audited financial statements in a timely manner. The town's strong budget management and policy credibility and effectiveness are reflected in its healthy financial position and trend of balanced operations.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Rating methodology and scorecard factors

The US Cities and Counties Rating Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 7

### Bar Harbor (Town of) ME

	Measure	Weight	Score
<b>Economy</b>			
Resident income ratio	112.8%	10.0%	Aa
Full value per capita	400,157	10.0%	Aaa
Economic growth metric	0.1%	10.0%	Aaa
<b>Financial Performance</b>			
Available fund balance ratio	53.2%	20.0%	Aaa
Liquidity ratio	67.8%	10.0%	Aaa
<b>Institutional Framework</b>			
Institutional Framework	Aa	10.0%	Aa
<b>Leverage</b>			
Long-term liabilities ratio	90.2%	20.0%	Aaa
Fixed-costs ratio	4.5%	10.0%	Aaa
<b>Notching factors</b>			
Additional Strength in Local Resources	0.5		
Scorecard-Indicated Outcome			Aaa
<b>Assigned Rating</b>			<b>Aa2</b>

Sources: US Census Bureau, Bar Harbor (Town of) ME's financial statements and Moody's Investors Service

## Appendix

Exhibit 8

### Key Indicators Glossary

	Definition	Typical Source*
<b>Economy</b>		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
<b>Financial performance</b>		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
<b>Leverage</b>		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
<b>Fixed costs</b>		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Investors Service
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

\*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US City and Counties Methodology](#).

Source: Moody's Investors Service

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