

# Framework for Determining a Local Government Rating

(prior to issuance of General Obligation bonds)

*Standard & Poor's* rating categories – 2013

*Analytical Category*

*Weight Given  
To Analysis:*

## **Institutional Framework**

10%

(Assessment of the legal form of State, County & local government, tax caps, tax laws, etc.)

## **Local Economy**

30%

(Source of current & future revenues, future service demands, stability of employment, diverse property tax base, income levels)

## **Municipal Management**

20%

(Review of Council and Management decisions, policies, reporting, practices, timely financial & operational decisions)

## **Financial Measures:**

- **Liquidity** 10%  
(Measures availability of working capital to service debt & planned expenditures)
- **Budgetary Performance** 10%  
(Measures current fiscal balances of governmental funds from a performance perspective; e.g., operating surpluses)
- **Budgetary Flexibility** 10% 30%  
(Ability to deal with economic uncertainty, financial stress, Fed/State revenue cutbacks, Fund Balance, etc.)

## **Debt & Contingent Liabilities**

10%

(Debt service as a % of expenditures measured against healthy criteria, low debt burden, future borrowing, capital needs)

Note – Higher sustained fund balances or low nominal fund balances can influence the rating by one step

S & P rating grades:

- AAA (Bar Harbor's current rating Jan-2014)
- AA+
- AA (Bar Harbor's past rating August-2013)
- AA-
- A+ (above BBB- is investment grade; below BBB- is considered non-investment grade)
- A
- A-
- BBB+
- BBB
- BBB-