



MOORS & CABOT
INVESTMENTS

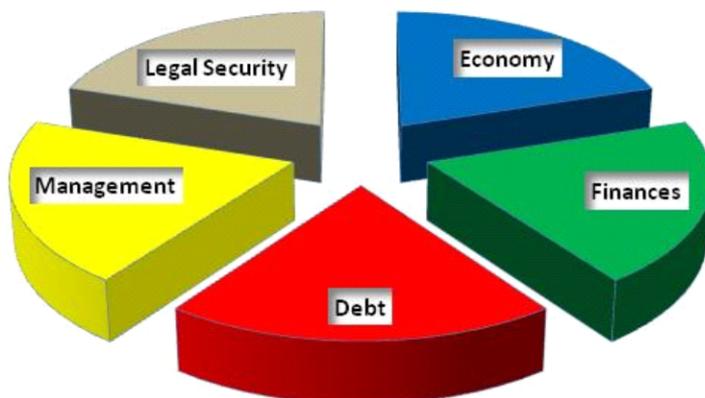
Presentation to the Bangor City Council

“Local Government Fiscal Management”

June 6, 2016

Joseph P. Cuetara, Senior Vice President

The Rating Process



<u>Credit Factors</u>	<u>Potential Rating Change Driver</u>
Economy	<ul style="list-style-type: none">• Significant development in the local tax base driving continued growth in total property values.• Increased or decreased diversification of local tax base.• Loss of key industry or employer with no work-out plan.
Finances	<ul style="list-style-type: none">• Expected augmentation (or loss) of financial flexibility.• Expectation that significant growth (or decline) of reserves will continue.
Debt	<ul style="list-style-type: none">• Significant increase in debt obligations without correlating development to offset tax-base leveraging.• Utilization of debt structure not appropriately matched to asset's useful life.
Management	<ul style="list-style-type: none">• Implementation of new strategies that are expected to augment (or detract) from operating flexibility.• Change in political environment that affects ability to react to unanticipated events.
Legal Security	<ul style="list-style-type: none">• Indenture for non-tax backed debt; Regulatory agency permission; Financial flexibility: Unlimited, Limited or Restrictive.

Moody's Long-term Ratings

Moody's Investors Service ("Moody's") Bonds carrying the same rating are not claimed to be of absolutely equal quality, but are in a broad sense alike in position of risk. The ratings involve judgments about the future, including an appraisal of long-term risks and the recognition of many statistical and non-statistical factors. The quality of a bond may change over its life and therefore a change from the initial rating designation may occur at any time. Moody's applies numerical modifiers (1, 2 and 3) in each rating classification. The modifier 1 indicates that the issue ranks in the higher end of its gradation; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its category. The classes of gradation are:

Aaa ratings, assigned for issues judged to be of the best quality, carry the smallest degree of investment risk and are generally referred to as "gilt edged". Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa ratings, assigned for issues judged to be of high quality by all standards and, together with **Aaa**, comprise what are generally known as "high grade" bonds. These are rated lower because margins of protection may not be as large as in **Aaa** issues, or fluctuation of protective elements may be of greater amplitude, or there may be other elements present which make the long-term risk appear somewhat larger than **Aaa** securities.

A ratings, assigned for issues judged to possess many favorable investment attributes, are considered upper-medium grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment sometime in the future.

Baa ratings, assigned for issues judged to be considered as medium-grade obligations, are neither highly protected nor poorly secured.

S&P's Long-term Ratings

Issue credit ratings are based, in varying degrees, on Standard & Poor's analysis of the following considerations: Likelihood of payment—capacity and willingness of the obligor to meet its financial commitment on an obligation in accordance with the terms of the obligation; Nature of and provisions of the obligation; Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

Issue ratings are an assessment of default risk, but may incorporate an assessment of relative seniority or ultimate recovery in the event of default.

AAA

An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA

An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

A

An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

BBB

An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

Plus (+) or minus (-)

The ratings from may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.



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Speculative Grade

Ba or BB rated debt has less near-term vulnerability to default than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments.

B rated debt has greater vulnerability to default but currently has the capacity to meet interest payments and principal repayments. Adverse business, financial or economic conditions will likely impair capacity or willingness to pay interest and repay principal.

Caa or CCC rated debt has a current identifiable vulnerability to default, and is dependent upon favorable business, financial and economic conditions to meet timely payment of interest and repayment of principal. In the event of adverse business, financial or economic conditions, it is not likely to have the capacity to pay interest and repay principal.

Ca or CC ratings are typically applied to debt subordinated to senior debt that is assigned an actual or implied Caa or CCC rating.

C ratings are typically applied to debt subordinated to senior debt that is assigned an actual or implied Caa or CCC- rating. The **C** rating may be used to cover a situation where a bankruptcy petition has been filed, but debt service payments are continued.

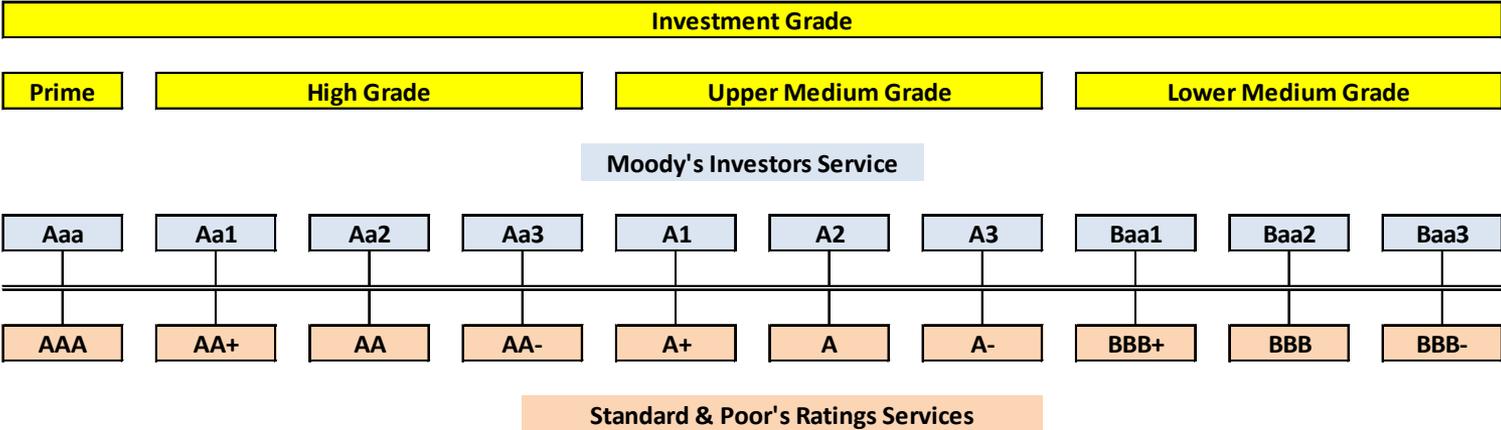
CI ratings are reserved for income bonds on which no interest is being paid.

D rated debt indicates payment default. This rating is also used upon the filing of a bankruptcy petition if debt service payments are jeopardized.

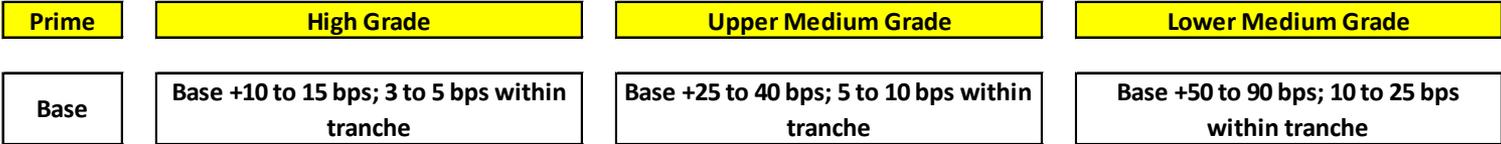
N.R. indicates that the debt is not rated by a bond rating agency.



Bond Rating Ranges



Interest Spread by Basis Points ("bp"); 1 bp = 0.01%; e.g.; 2.00% vs 2.01% = 1 bps



e.g., 2.00%

2.10% to 2.15%

2.25% to 2.40%

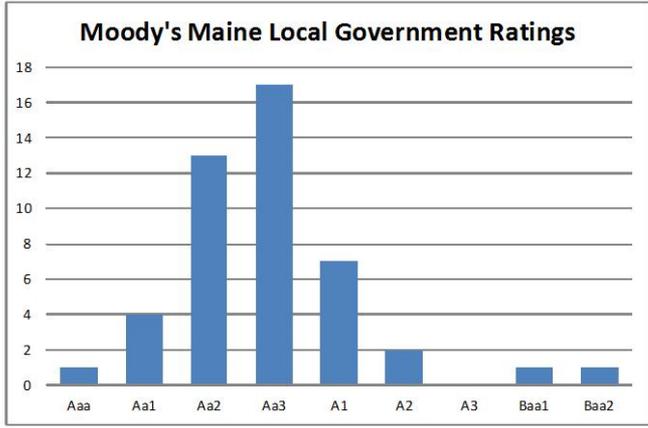
2.50% to 2.90%

RULE: 10 bps for \$10,000,000 for 20 years ≈ \$100,000

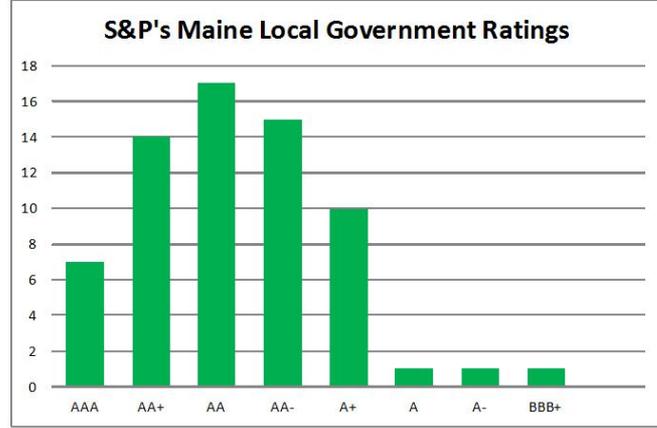


<u>Municipality Name</u>	<u>Moody's Rating</u>	<u>S&P Rating</u>	<u>Municipality Name</u>	<u>Moody's Rating</u>	<u>S&P Rating</u>
Alfred	NR	AA	Somerset Cnty	Aa3	A+
Auburn	Aa3	AA-	South Berwick	A1	NR
Augusta	NR	AA	South Portland	Aaa	AAA
Bangor	Aa2	AA-	St. George	NR	AA+
Bar Harbor	Aa2	AAA	Topsham	NR	AA+
Bath	Aa3	AA	Waterville	Aa3	A+
Biddeford	Aa3	AA-	Wells	Aa2	AA+
Brewer	Aa3	AA-	Westbrook	Aa3	AA
Brunswick	Aa2	AA+	Windham	Aa2	AA
Camden	NR	AA+	Winslow	Aa3	AA-
Cape Elizabeth	Aa1	AAA	Winthrop	NR	AA-
Castine	Aa3	NR	Yarmouth	Aa2	AA+
Cumberland	Aa3	AA+	York Cnty	NR	AA
Cumberland Cnty	Aa1	AA+	York	NR	AAA
Dixfield	NR	AA-	District		
Ellsworth	Aa3	AA-	Auburn Sewer Dist.	NR	A+
Falmouth	Aa1	AAA	Auburn Water Dist.	NR	A+
Farmington	NR	AA-	Brewer HSD	NR	AA-
Freeport	Aa2	AAA	Bruns&Tops WD	NR	A+
Gorham	Aa2	AA+	Cumberland Cnty Civic Cntr	NR	AA
Gray	Aa3	AA+	ecomaine	NR	AA
Hallowell	NR	A+	Freeport Swr	Aa3	NR
Hancock Cnty	Aa2	AA	Ken Lt & Pr	Aa3	A-
Hermon	A1	AA-	Kenn WD	A1	NR
Kennebunk	Aa1	AAA	Linc-Sag Jail Auth	A1	A+
Kittery	Aa2	AA+	MSAD #51	Aa3	AA
Knox Cnty	Aa2	AA	No Jay WD	Baa2	NR
Lewiston	Aa2	AA-	Portland Jetport	Baa1	BBB+
Manchester	NR	AA-	Portland Wtr Dis (Port Swr)	Aa1	AA
New Gloucester	Aa3	AA+	Portland Wtr Dis (Wtr)	A1	A+
Old Orchard Beach	Aa3	AA+	RSU No. 1	NR	AA
Orono	Aa3	AA-	RSU No. 5	Aa3	AA-
Oxford	NR	AA-	RSU No. 21	Aa3	AA+
Paris Twn	NR	A+	RSU No. 23	Baa1	AA
Pittsfield Twn	NR	A	RSU No. 57	Aa2	
Portland	Aa1	AA	Rumford WD	A2	NR
Presque Isle	NR	A+	So Berwick WD	A1	NR
Raymond	NR	AAA	Wells-Ogunquit CSD	Aa3	AA+
Saco	Aa3	AA	Yarmouth WD	Aa3	A+
Scarborough	Aa3	AA+			

May 18, 2016



Source: Moody's Investors Service (ratings as of April 20, 2015)



Source: S&P Ratings (ratings as of April 20, 2015)



“In our view, the ratings reflect our assessment of the following factors for the city, including its:

- (-)- **Weak economy**, with projected per capita effective buying income (EBI) at 82.8% of the national level and market value per capita of \$81,111;
- (≈) **Adequate management**, with "standard" financial policies and practices under our financial management assessment (FMA) methodology;
- (+)- **Strong budgetary performance**, with balanced operating results in the general fund but a slight operating deficit at the total governmental fund level in fiscal 2015;
- (+)- **Strong budgetary flexibility**, with an available fund balance in fiscal 2015 at 14.2% of operating expenditures;
- (+)- **Very strong liquidity**, with total government available cash at 17.0% of total governmental fund expenditures and 3.6x governmental debt service, as well as access to external liquidity we consider strong;
- (≈)- **Adequate debt and contingent liability** position, with debt service carrying charges at 4.8% of expenditures and net direct debt at 96.8% of total governmental fund revenue; and
- (+)- **Strong institutional** framework score.

Outlook

The **stable outlook** reflects our assessment of Bangor as a **regional employment, retail, and commercial center** for area communities, which we believe **lends stability** to its economic profile. We believe the city's predictable operating profile should translate into **sustained budgetary performance** we view as strong, contributing to available reserves also remaining at least strong. Furthermore, we expect Bangor to **maintain very strong liquidity** across all municipal funds. As such, **we do not expect to change the rating** within the outlook's two-year horizon.

Upside scenario

All else remaining equal, over time, S&P Global could raise the rating should the **city's underlying economic metrics improve** to levels in line with peers at a higher rating.

Downside scenario

Downward rating pressure could result from **budgetary pressures** that cause deterioration of the city's budgetary flexibility to levels in line with peers at a lower rating.



Credit Strengths

- (+) Stable tax base which serves as regional economic center
- (+) Stable financial position guided by a formal policy
- (+) Manageable pension and OPEB liabilities

Credit Challenges

- (-) Moderate revenue raising ability due to state statutes (LD1)
- (-) Above average debt burden

Factors that Could Lead to an Upgrade

- » Material improvement in liquidity and reserves
- » Strengthening of the tax base and demographic profile
- » Material decline in the debt burden

Factors that Could Lead to a Downgrade

- » Trend of operating deficits resulting in reserve declines
- » Contraction of local economic activity
- » Significant declines in the tax base or deterioration of the demographic profile
- » Material growth in debt burden

Bond Opinion – Bangor, ME May 5, 2016



Tax Levy and Collections

Fiscal Yr. End June 30,	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (per 000)	Gross Tax Levy (000)	Collections (after Supplements and Abatements)		
					Year End (000)	% of Levy	% of Levy A/O 08/31/15
2016	\$2,543,700	\$2,650,961	\$21.95	\$58,189	----- In Process -----		
2015	2,481,850	2,613,028	21.80	55,903	53,709	96.56%	96.56%
2014	2,464,250	2,603,586	20.80	53,078	51,692	97.47	98.92
2013	2,462,650	2,582,242	19.65	49,714	48,276	97.37	99.59
2012	2,456,450	2,576,995	19.20	48,530	47,026	97.25	99.62
2011	2,466,650	2,578,274	19.20	48,363	46,858	97.23	99.65
2010	2,436,000	2,626,791	19.05	48,720	46,205	96.00	100.00
2009	2,377,800	2,544,916	19.05	47,235	45,689	97.29	100.00
2008	2,358,250	2,406,089	18.80	44,082	42,848	97.96	100.00
2007	2,213,950	2,224,049	19.40	41,991	40,820	97.84	100.00

LD1

Fiscal year:	<u>2011/2012</u>	<u>2012/2013</u>	<u>2013/2014</u>	<u>2014/2015</u>	<u>2015/2016</u>
State Personal Income Factor:	1.66%	1.43%	1.05%	1.09%	0.86%
City Property Growth Factor:	<u>3.14%</u>	<u>3.44%</u>	<u>3.42%</u>	<u>3.43%</u>	<u>2.32%</u>
Growth Limitation Factor:	4.80%	4.87%	4.47%	4.52%	3.18%
Property Tax Levy Limit:	\$25,320,961	\$26,554,981	\$27,741,178	\$28,996,160	\$29,919,669
Property Tax Levy:	<u>21,143,656</u>	<u>21,794,144</u>	<u>23,666,134</u>	<u>24,854,280</u>	<u>25,865,420</u>
Over/(under) Property Tax Levy Limit:	(\$4,177,035)	(\$4,760,837)	(\$4,075,044)	(\$4,141,880)	(\$4,054,249)

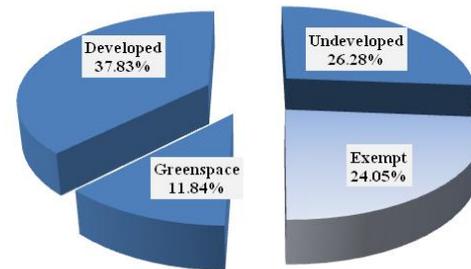


Fund Balance

	Fiscal Year Ended June 30,				
	2011	2012	2013	2014	2015
Assigned and Unassigned General Fund Balance	\$12,522,640	\$12,352,764	\$11,920,429	\$13,016,263	\$14,637,832
Prior Years' Expenses (less Debt Service)	88,013,947	86,633,312	86,862,545	88,206,129	92,008,967
Fund Bal as % Prior Years' Expenses	14.23%	14.26%	13.72%	14.76%	15.91%
Unassigned General Fund Balance	\$8,017,940	\$7,563,658	\$7,727,014	\$9,598,472	\$9,995,105
Prior Years' Expenses (less Debt Service)	88,013,947	86,633,312	86,862,545	88,206,129	92,008,967
Fund Bal as % Prior Years' Expenses	9.11%	8.73%	8.90%	10.88%	10.86%

Tax Base and Tax Base Growth

<u>By Land Area</u>	<u>Acres</u>	<u>% Total</u>
Greenspace	2,608	11.84%
Exempt	<u>5,298</u>	<u>24.05%</u>
Sub-total	7,906	35.89%
Undeveloped	5,791	26.28%
Developed	<u>8,335</u>	<u>37.83%</u>
Sub-total	15,126	64.11%
Total City	22,032	100.00%





Total General Obligation, Overlapping and Contingent Debt

	General Fund	Enterprise	Overlapping	Total Debt
C/O Bangor-School	\$15,529,008			\$15,529,008
C/O Bangor-School (POB)	1,332,819			1,332,819
C/O Bangor-Other Gen'l Fund	26,828,724			26,828,724
C/O Bangor-Other Gen'l Fund (POB)	20,827,464			20,827,464
C/O Bangor- Enterprise		\$76,693,327		76,693,327
C/O Bangor- Enterprise (POB)		4,469,717		4,469,717
County of Penobscot			\$0	0
Region #4			0	0
Total A/O June 30, 2015	\$64,518,015	\$81,163,044	\$0	\$145,681,059

Bonded Debt to Equalized State Valuation and Per Capita Debt Ratios by Fund Type

Fiscal Yr. End June 30,	Debt, by Fund Type (\$/000)				As % Valuation, by Fund Type				Per Capita, Fund Type (\$)			
	General Fund		Ent'p Fund	Total Debt	General Fund		Ent'p Fund	Total Debt	General Fund		Ent'p Fund	Total Debt
	City	School			City	School			City	Sch		
2015	47,656	16,862	81,163	145,681	1.9%	0.7%	3.3%	5.9%	1,463	518	2,492	4,473
2014	48,808	17,711	80,436	146,954	2.0%	0.7%	3.3%	6.0%	1,494	542	2,462	4,498
2013	45,039	17,688	82,492	145,219	1.8%	0.7%	3.4%	5.9%	1,366	537	2,503	4,406
2012	44,434	16,240	28,708	89,382	1.8%	0.7%	1.2%	3.6%	1,346	492	870	2,709
2011	46,585	11,870	31,985	90,441	1.9%	0.5%	1.3%	3.7%	1,410	359	968	2,737
2010	48,509	13,181	34,957	96,645	1.9%	0.5%	1.4%	3.9%	1,542	419	1,112	3,073
2009	48,390	8,298	37,623	94,311	2.0%	0.3%	1.6%	3.9%	1,545	265	1,201	3,010
2008	47,552	9,446	41,723	98,721	2.0%	0.4%	1.8%	4.2%	1,521	302	1,335	3,158
2007	49,711	10,610	43,810	104,131	2.2%	0.5%	2.0%	4.7%	1,566	334	1,380	3,280
2006	49,231	11,772	45,781	106,785	2.4%	0.6%	2.2%	5.2%	1,585	379	1,474	3,439

Debt Service Component of Operating Expenses

(\$ in thousands)	Audited					Budgeted
	2011	2012	2013	2014	2015	2016
Gross Current Debt Service:	\$14,694	\$16,994	\$11,779	\$12,242	\$13,839	\$14,331
(less Self Support Enterprise):	(4,130)	(4,272)	(4,279)	(4,804)	(6,234)	(6,492)
(less State Qual. School):	(375)	(357)	(311)	(0)	(0)	(0)
(less POB):	(2,646)	(2,723)	(2,803)	(2,885)	(2,974)	(3,063)
(less Refunded Debt):	(5,075)	(5,230)	0	(0)	(0)	(0)
Tax Backed Current Debt Service:	\$2,468	\$4,412	\$4,386	\$4,553	\$4,631	\$4,777
Budgeted Operating Expense:	\$90,691	\$90,171	\$91,899	\$93,546	\$95,204	\$97,231
Debt Service as % Oper. Expense:	2.72%	4.89%	4.77%	4.87%	4.86%	4.91%



Household/Per Capita Effective Buying

Low	Below 65%
Adequate	65%-90%
Good	90%-110%
Strong	110%-130%
Very strong	Above 130%

82.8%

Available Fund Balance

Low	Below 0%
Adequate	1%-4%
Good	4%-8%
Strong	8%-15%
Very strong	Above 15%

15.91%
(A&U);
10.86 (U)

Market Value Per Capita

Low	Below \$35,000
Adequate	\$35,000-\$55,000
Strong	\$55,000-\$80,000
Very strong	\$80,000-\$100,000
Extremely strong	Above \$100,000

\$81,111

Debt Service As % Of Expenditures

Low	Below 8%
Moderate	8%-15%
Elevated	15%-20%
High	Above 25%

4.91%

Top 10 Taxpayers

Very diverse	Below 15%
Diverse	15% - 25%
Moderately concentrated	25% - 40%
Concentrated	Above 40%

14.04%

Overall Net Debt Per Capita

Very low	Below \$1,000
Low	\$1,000-\$2,000
Moderate	\$2,000-\$5,000
High	Above \$5,000

\$3,655

Overall Net Debt As % Of Market Value

Low	Below 3%
Moderate	3%-6%
Moderately high	6%-10%
High	Above 10%

5.87%
w/POB;
4.80%
all funds;
2.60%
GF

SOURCE: Public Finance Criteria: Key General
Obligation Ratio Credit Ranges - Analysis Vs. Reality
(Standard & Poor's , April 2, 2008)