

### Summary:

## Bangor, Maine; General Obligation

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## Summary:

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### Credit Profile

US\$6.525 mil GO bnds 2012 ser 2012 due 01/19/2032

*Long Term Rating*

AA/Stable

New

Bangor GO

*Long Term Rating*

AA/Stable

Affirmed

## Rationale

Standard & Poor's Ratings Services has assigned its 'AA' long-term rating to Bangor, Maine's series 2012 general obligation (GO) refunding bonds and affirmed its 'AA' long-term rating and underlying rating (SPUR) on the city's existing GO debt. The outlook is stable.

The ratings reflect our view of the city's:

- Historically strong financial position and good financial practices;
- Low-to-moderate overall debt burden and aggressive debt retirement schedule; and
- Role as an employment, retail, and commercial center for the region coupled with low unemployment relative to state national averages.

Partially offsetting these rating strengths are, in our opinion, the city's below-average, albeit adequate, income measures.

The city's full faith and credit pledge secures the bonds. The city will use the bond proceeds to refund its series 2002 bonds and to fund miscellaneous capital projects.

Bangor is the state's third-largest city and serves as the employment, retail, transportation, and commercial center of an 11-community area. The city is located along Interstate 95 and includes Bangor International Airport. Population has held steady over the past five years at about 32,000. The tax base has also been stable, with assessed valuation totaling \$2.6 billion for fiscal 2012, a slight increase of 0.5% from the previous year. Market value per capita is strong, in our view, at roughly \$80,000. The city's unemployment rate has historically tracked below state and national averages; it was 5.8% as of November 2011 (not seasonally adjusted), compared with the state and national rates of 6.7% and 8.2%, respectively. Income measures, however, are what we consider adequate, but below-average, with median household and per capita effective buying income at 73% and 88% of the respective national levels.

The city's revenue profile is primarily composed of property tax revenues, which account for about 48% of total general fund revenues, and state aid, reimbursements, and revenue sharing, which account for about 30%. Property tax collections remain strong and have averaged about 97% on a current-year basis over the past five years. Overall, in our opinion, the city continues to maintain a strong financial position. For fiscal 2011, the city generated a \$1.1 million operating surplus (net of transfers), its fifth consecutive surplus, due to positive variances of revenues of \$1.5 million (1.6% of spending) and expenditures of \$4.9 million (5% of spending). Total general fund balance increased

to \$17 million and, with the implementation of Governmental Accounting Standards Board (GASB) 54, the city's financial statements for fiscal 2011 indicate an available fund balance (combined assigned and unassigned fund balance) of \$12.5 million, equivalent to 12.8% of expenditures, which we consider strong. The 2012 budget is balanced without the appropriation of fund balance or the use of one-time revenues, with budgeted expenditures representing a 0.6% decrease over fiscal 2011 budgeted expenditures. City officials report no notable variations to date and expect to the budget remained balanced.

The city's financial practices are considered "good" under Standard & Poor's Financial Management Assessment (FMA). In our framework, an FMA of good indicates that practices exist in most areas although not all may be formalized or regularly monitored by officials. The city recently amended its fund balance to reflect the GASB 54 nomenclature; the policy now sets a target for the unassigned general fund balance rather than undesignated fund balance. The policy also increases the target balance to 8.33% of the operating budget, excluding debt service, from 5%. The city is currently above this policy.

In our opinion, the city's overall debt burden, net of self-supporting enterprise debt, is low at \$1,800 per capita, or 2.2% of market value. The city's general fund debt service charges have historically been low and were about 6% of total governmental fund expenditures (less capital outlay) for fiscal 2012. Furthermore, the city's amortization of tax-supported debt is rapid, with 95% of principal scheduled to be retired by 2021.

Effective April 1, 2001, all new employees now participate in the city's defined contribution pension plan. Before that date, the city's employees were part of the state employees' defined benefit plan. In 2002, the city issued pension obligation bonds to pay its unfunded portion of the plan. The pension obligation bonds fully mature in 2026. The city's total pension contributions for fiscal 2011 were \$2.1 million, equivalent to 2% of general fund spending. The city's other postemployment benefits (OPEB) liability is due to the implicit subsidy of retirees being eligible to enroll in the city's health care plan at 100% of the premium cost to the retiree. As of the October 2011 actuarial valuation study, the city's unfunded OPEB obligation was \$4.5 million.

## Outlook

The outlook is stable. We do not expect to revise our rating on the city's debt within the two-year outlook period, as we expect the city will continue to make the necessary adjustments to maintain structural balance and strong reserves. The outlook also reflects the city's stable economic base with consistently below-average unemployment rates.

## Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

Ratings Detail (As Of January 20, 2012)		
<b>Bangor GO</b>		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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