

CREDIT OPINION

3 May 2024



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Contacts

Christopher Yared, +1.617.535.7693
 CFA
 AVP-Analyst
 christopher.yared@moodys.com

Michael Wertz +1.212.553.3830
 VP-Senior Analyst
 michael.wertz@moodys.com

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Ogunquit (Town of) ME

New issuer

Summary

[Ogunquit, ME](#) (Aa2) is a wealthy, tourist based economy in southern Maine. The town is home to approximately 1,500 year round residents, but population levels swell to 20,000 during the summer months. The town's financial history is stable, though nearly 25% of revenue come from parking fees charged largely to out of town visitors. Such exposure to an economically sensitive revenue source is rare for local governments across the country. However, the town was able to maintain stable financial position throughout the pandemic. Long term liabilities are expected to remain stable going forward.

Credit strengths

- » Very high resident wealth and income
- » Modest long term liabilities even post issuance

Credit challenges

- » Significant reliance on parking fees to finance operations
- » Environmental risks have materialized in recent years with flooding affecting part of the town's tourist area

Rating outlook

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

Factors that could lead to an upgrade

- » Increase in available fund balance and cash levels
- » Significant increase in population, driving tax base growth

Factors that could lead to a downgrade

- » Declines in available fund balance or cash levels
- » Significant, unexpected increases in long term liabilities or fixed costs

Key indicators

Exhibit 1

Ogunquit (Town of) ME

| | 2020 | 2021 | 2022 | 2023 | Aaa Medians |
|---|-------------|-------------|-------------|-------------|-------------|
| Economy | | | | | |
| Resident income ratio (%) | 114.2% | 114.8% | 127.5% | N/A | 170.6% |
| Full Value (\$000) | \$1,529,150 | \$1,686,350 | \$1,797,700 | \$2,025,250 | \$8,680,662 |
| Population | 1,110 | 1,207 | 1,257 | N/A | 36,119 |
| Full value per capita (\$) | \$1,377,613 | \$1,397,142 | \$1,430,151 | N/A | N/A |
| Annual Growth in Real GDP | 2.6% | 7.2% | 3.2% | N/A | 4.9% |
| Financial Performance | | | | | |
| Revenue (\$000) | \$15,612 | \$17,285 | \$16,586 | \$18,010 | \$101,733 |
| Available fund balance (\$000) | \$6,136 | \$7,383 | \$6,697 | \$8,005 | \$62,520 |
| Net unrestricted cash (\$000) | \$7,152 | \$9,288 | \$7,919 | \$8,697 | \$88,880 |
| Available fund balance ratio (%) | 39.3% | 42.7% | 40.4% | 44.4% | 61.7% |
| Liquidity ratio (%) | 45.8% | 53.7% | 47.7% | 48.3% | 91.1% |
| Leverage | | | | | |
| Debt (\$000) | \$8,773 | \$8,550 | \$8,260 | \$7,640 | \$68,781 |
| Adjusted net pension liabilities (\$000) | \$8,088 | \$12,001 | \$10,551 | \$6,432 | \$105,726 |
| Adjusted net OPEB liabilities (\$000) | \$210 | \$249 | \$123 | \$108 | \$11,674 |
| Other long-term liabilities (\$000) | \$445 | \$367 | \$327 | \$405 | \$3,903 |
| Long-term liabilities ratio (%) | 112.2% | 122.5% | 116.1% | 81.0% | 258.2% |
| Fixed costs | | | | | |
| Implied debt service (\$000) | \$523 | \$628 | \$600 | \$577 | \$4,899 |
| Pension tread water contribution (\$000) | \$0 | \$0 | \$0 | N/A | \$3,333 |
| OPEB contributions (\$000) | \$1 | \$2 | \$2 | \$0 | \$503 |
| Implied cost of other long-term liabilities (\$000) | \$26 | \$32 | \$26 | \$23 | \$262 |
| Fixed-costs ratio (%) | 3.5% | 3.8% | 3.8% | 3.3% | 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 real GDP annual growth metric cited above is for the Portland-South Portland, ME Metropolitan Statistical Area.

Sources: US Census Bureau, Ogunquit (town Of) Me's financial statements and Moody's Ratings, US Bureau of Economic Analysis

Profile

The town of Ogunquit is a coastal town located approximately 40 miles south of Portland, ME. The town is home to just 1,500 year round members, but the summer population swells to over 20,000 as the area is a significant tourist destination.

Detailed credit considerations

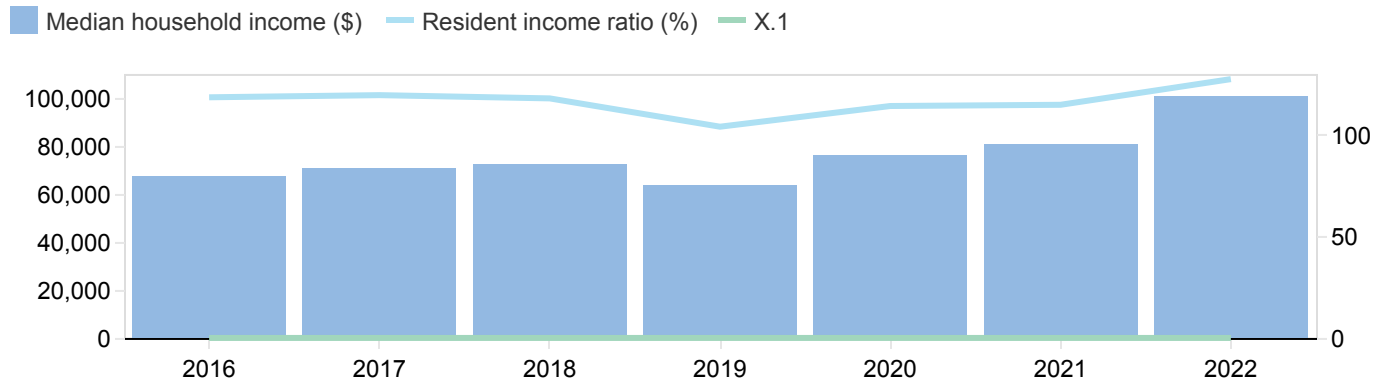
Ogunquit is a small coastal town that was once a part of [Wells, ME](#) (Aa1), but broke off to form its own community in 1980. The town is a participating member of [Wells-Ogunquit Central School District, ME](#) (Aa2 stable). The town relies on a tourist base as approximately 60% of homes in the community are second homes and the summer population of 20,000 dwarfs the year round population about 1,500. The tax base is considerably wealthier than nearby communities though given the limited geography of the town, there are no significant commercial developments outside of hotels. In most years, residential growth drives any growth in the tax base. The town is exposed to environmental risk given its coastal location. In 2018, the town experienced a five day nor'easter that damaged part of its roads and walkways, and the town is still working with FEMA on final cost recovery years later. Positively, however, there are no homes on the town's beach area, so repairs are mostly limited to roads and sidewalks. Still, environmental factors are a key consideration in the town's credit quality.

Historically, fund balance levels have been very stable despite the fact that nearly 25% of the town's total revenue comes from parking fees. This stability is impressive given the town's experience through the pandemic which initially suggested all tourist traffic would fall off, but the town ended fiscal 2020 with stable fund balance from prior years. Management maintains formal fund balance policies and has met or exceeded them in recent years.

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's.com> for the most updated credit rating action information and rating history.

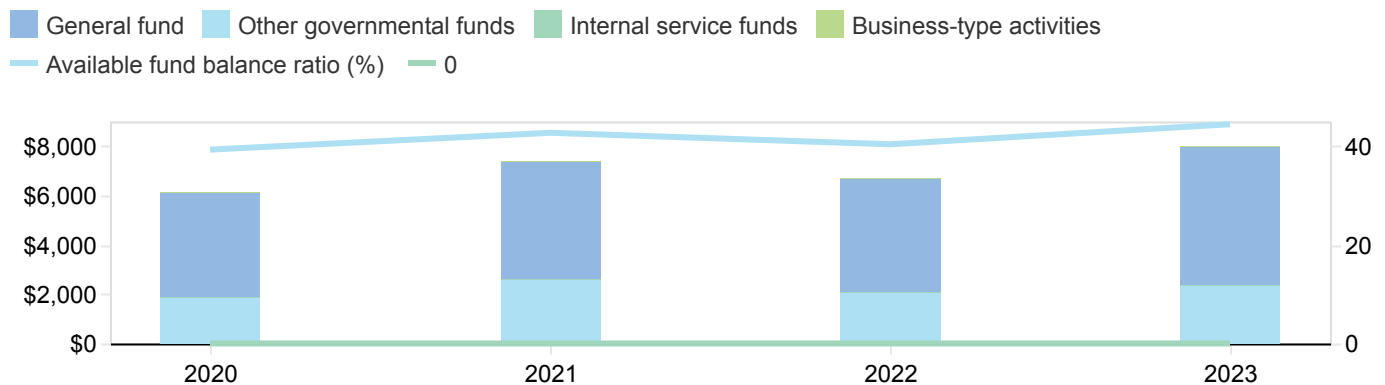
The 2024 bonds are being issued to finance the partial demolition of a school; the portion of the school that is being saved will become a new town hall and police department. Work on this project is starting in September 2024 and is expected to be complete by the end of calendar 2025. Other long term liabilities including pension and OPEB are modest, which is typical of local governments in Maine.

Exhibit 2

Resident Income

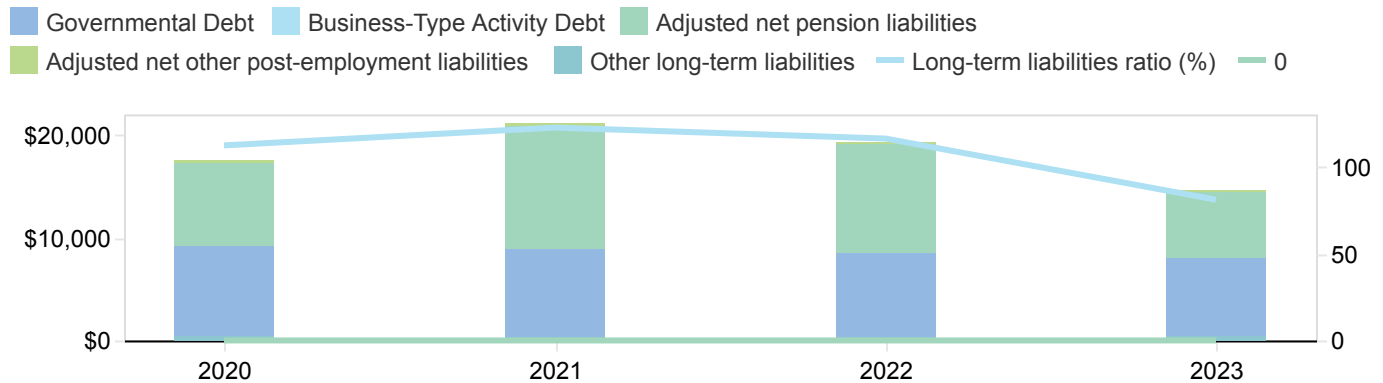
Source: Moody's Ratings

Exhibit 3

Fund Balance

Source: Moody's Ratings

Exhibit 4

Total Primary Government - Long Term Liabilities

Source: Moody's Ratings

ESG considerations**Environmental**

Environmental factors include sea level rise, which is partially mitigated in the town's elevated rocky, coast. Still flooding has impacted town assets before and will be an important consideration going forward. The town's exposure to other environmental factors like heat stress is more moderate.

Social

Social considerations include the area's very high resident wealth and incomes combined with the presence of second homes in the town.

Governance

Governance considerations include the town's timely publication of audited financial statements in addition to management's history of conservative budgeting practices as evidenced by surpluses in most years.

Rating methodology and scorecard factors

The US Cities and Counties 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 5

Ogunquit (Town of) ME

| | Measure | Weight | Score |
|--|-----------|--------|------------|
| Economy | | | |
| Resident income ratio | 127.5% | 10.0% | Aaa |
| Full value per capita | 1,721,798 | 10.0% | Aaa |
| Economic growth metric | 1.5% | 10.0% | Aaa |
| Financial Performance | | | |
| Available fund balance ratio | 44.4% | 20.0% | Aaa |
| Liquidity ratio | 48.3% | 10.0% | Aaa |
| Institutional Framework | | | |
| Institutional Framework | Aa | 10.0% | Aa |
| Leverage | | | |
| Long-term liabilities ratio | 81.0% | 20.0% | Aaa |
| Fixed-costs ratio | 3.3% | 10.0% | Aaa |
| Notching factors | | | |
| Additional Strength in Local Resources | 1.0 | | |
| Scorecard-Indicated Outcome | | | Aaa |
| Assigned Rating | | | Aa2 |

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Portland-South Portland, ME Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Ogunquit (town Of) Me's financial statements and Moody's Ratings

Appendix

Exhibit 6

Key Indicators Glossary

| | Definition | Typical Source* |
|---|---|---|
| Economy | | |
| 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 |
| Financial performance | | |
| 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 | |
| Leverage | | |
| 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 | |
| Fixed costs | | |
| 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 Cities and Counties Methodology](#).

Source: Moody's Ratings

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