

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns initial Aa2 issuer and GO ratings to Ogunquit, ME

03 May 2024

New York, May 03, 2024 -- Moody's Ratings (Moody's) has assigned an initial Aa2 issuer rating to the Town of Ogunquit, Maine. Additionally, Moody's has assigned a Aa2 general obligation limited tax (GOLT) rating to the town's \$12.8 million 2024 General Obligation Bonds. Post sale, the town will have approximately \$21 million in debt outstanding.

RATINGS RATIONALE

The Aa2 issuer rating reflects the town's very small, but very wealthy year round population. The town is a tourist destination in southern Maine and sees its population swell from 1,500 year round residents to over 20,000 people during the summer months. Additionally, the rating reflects a stable financial position with modest long term liabilities. Environmental risks are a driver of the rating given the town's local economy is reliant on its tourist base and recent weather events have resulted in damage to town infrastructure and assets. Governance is a driver of the rating given management's importance in setting long term budgetary plans and maintaining stable operations from year to year.

The lack of distinction between the GOLT rating and the issuer rating reflects: (i) the town's ability to override its property tax levy limit and (ii) the town's pledge of its full faith and credit to pay debt service, a security feature of all general obligation debt issued by local governments in Maine.

RATINGS OUTLOOK

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

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

Increase in available fund balance and cash levels

Significant increase in population, driving tax base growth

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

Declines in available fund balance or cash levels

Significant, unexpected increases in long term liabilities or fixed costs

LEGAL SECURITY

The 2024 bonds are secured by the town's general obligation limited tax pledge as ad valorem property taxes in Maine are subject to a state imposed cap. Earlier this year, new legislation repealed the property tax cap. That legislation is expected to become effective in July 2024. Upon effectiveness, the limited tax pledge will become an unlimited tax pledge.

USE OF PROCEEDS

Bond proceeds will finance a variety of projects in the town, the largest of which is refurbishing an existing building into a town hall and police building.

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.

METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties Methodology published in November 2022 and available at <https://ratings.moodys.com/rmc-documents/386953>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1355824.

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