FITCH UPGRADES MAITLAND COMM REDEV AGENCY, FL'S REVS TO 'AA'; OUTLOOK STABLE

Fitch Ratings-New York-08 March 2011: In the course of routine surveillance, Fitch Ratings has taken the following action on the city of Maitland Community Redevelopment Agency, FL (the CRA):

--$13.9 million community redevelopment revenue bonds, series 2005 upgraded to 'AA' from 'AA-'.

Concurrently, Fitch affirms Maitland, FL's (the city) general obligation unlimited tax (GOULT) rating at 'AA+'.

The Rating Outlook on all bonds is Stable.

RATING RATIONALE:
--The upgrade to 'AA' from 'AA-' on the CRA revenue bonds reflects the consistent performance of, and ample coverage from, the city's non-ad valorem revenues, which the city has covenant to budget and appropriate (CB&A) to pay debt service if pledged tax increment revenues are insufficient.

--Maitland's 'AA+' implied GOULT rating reflects the city's sound financial management and planning and history of high reserves. Fitch considers the city's affluent tax base, low debt levels and limited future capital needs additional credit strengths, offset by the very slow amortization of outstanding debt.

--The city benefits from its proximity to Orlando, the anchor of the central Florida economy. The regional economy has been significantly affected by the current recession, but prospects for recovery are sound, led by a very strong tourism and hospitality sector.

KEY RATING DRIVERS:
Fitch anticipates that the city will continue to maintain strong financial flexibility, limit the reliance on reserves to balance future budgets, and take necessary expenditure actions to offset revenue declines.

SECURITY:
The CRA revenue bonds are secured by a pledge of tax increment revenues from the downtown redevelopment area, and a secondary pledge of the city's CB&A legally available non-ad valorem revenues. The city's CB&A lawfully available non-ad valorem revenues shall be cumulative and shall continue until the pledged tax increment revenues or such legally available non-ad valorem revenues are sufficient to fully defease the bonds.

CREDIT SUMMARY:
Maitland is located in Central Florida, in north Orange County, approximately 10 miles north of Orlando. Maitland has a small population of 15,409 residing within a near fully developed 6.4 square mile area. The city boasts a well located suburban office market, an area evolving into a mixed-use activity center featuring hotels, restaurants and a sports and training facility affiliated with the NBA's Orlando Magic and Florida Hospital. The city is reportedly home to more than 350 corporations including Sprint/Nextel, Clear Channel Communications, Bright House Networks, and EA Sports. The broader Orlando metropolitan statistical area (MSA) economy continues to exhibit high levels of unemployment (11.3% in December); however, the employment picture appears to be stabilizing, and Fitch believes long-term prospects remain sound. Fitch notes the city has a very well educated labor force, very low incidence of poverty, and income indices are above-average relative to the state and nation. Unemployment data is not available from the Bureau of Labor Statistics due to the city's population size.

General fund revenues are budgeted at $20.3 million in fiscal 2011 which is $2.9 million or 12.5% less than the actual revenue collected in fiscal 2009. Ad valorem tax collections are driving this trend, as taxable assessed value (TAV) has fallen 19% during the period, and management has opted to hold the operating tax rate steady at a low 3.9 mills. The city has several options to raise revenue, but none are presently under consideration other than the recent installation of red light cameras which and projected to generate $250,000 in the first full year of use. The city's non-ad valorem revenues, which include electric utility franchise fees and taxes, communication taxes, and the city's share of the statewide sales tax, are projected to grow modestly in fiscal 2011 to $9.5 million, or more than 7 times (x) maximum annual debt service (MADS) on the CRA bonds.

Credit concerns over the weakening revenue trend are offset by the city's exceptional reserve levels. Unaudited results for fiscal 2010 reveal a $1.5 million surplus in the general fund, and an unreserved fund balance of $14.9 million or 71% of spending. The city has appropriated approximately $500,000 in existing reserves to balance the fiscal 2011 budget. Officials report no material deviations from the budget year-to-date. The city targets an unreserved fund balance no less than 15% for emergencies or other natural disaster; however, an unreserved balance of at least 39% has been recorded dating back at least to fiscal year 2005. Fitch also considers as a credit strength management's sound budgetary controls and performance monitoring, which have contributed to an impressive trend of consecutive surplus results in the general fund from fiscal 2005-2010.

Debt ratios remain low on a direct basis, and debt service costs are very manageable, budgeted at $1.54 million in fiscal 2011 or 6.1% of combined general fund and debt service fund spending. Future capital needs are manageable ($25 million thru 2015) and are largely expected to be financed from recurring sources and grant funding; no additional long-term debt is presently contemplated. The city does not have exposure to variable rate products, derivatives, or short-term notes. The principal weakness associated with the city's debt profile is a well below-average rate of outstanding principal amortization, with only 27% repaid within 10 years.

Pension benefits for general employees are provided through the state-wide plan (FRS) or a defined contribution 401(a) plan. The city also administers a single employer defined benefit pension plan for police and fire, which remains adequately funded. The city fully funds its annual pension costs, contributing $1.5 million (7% of spending) to FRS and the police and fire plan. Healthcare costs are a spending pressure, rising to $1.5 million in fiscal 2010. Flexibility exists to temper the future escalation of these costs, as Fitch notes the city generously funds 100% of employee coverage and contributes 15% towards dependent health coverage. In addition, the city provides an explicit subsidy, above what is required by state law, for health care costs of certain retirees. Retiree health coverage is funded on a pay-as-you-go basis.

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In addition to the sources of information identified in Fitch's Tax-Supported Rating Criteria, this action was additionally informed by information from Creditscope, University Financial Associates, LoanPerformance, Inc., IHS Global Insight and Property and Portfolio Research.

Applicable Criteria and Related Research:
'Tax-Supported Rating Criteria', dated Aug. 16, 2010;
'U.S. Local Government Tax-Supported Rating Criteria', dated Oct. 8, 2010.

For information on Build America Bonds, visit 'www.fitchratings.com/BABs'.

Applicable Criteria and Related Research:
Tax-Supported Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=548605
U.S. Local Government Tax-Supported Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=564566