Maitland, Florida

General Government
Full Rating Report

Ratings

Issuer Default Rating	AA+

Rating Outlook
Stable

Related Research
Fitch Affirms Maitland, FL's Issuer Default Rating at 'AA+'; Outlook Stable (June 2016)

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The 'AA+' Issuer Default Rating reflects Maitland's (the city) very strong financial position and Fitch Ratings' expectations for continued financial strength despite weak revenue growth prospects. Historically stable general fund operations have resulted in ample general fund reserves, providing the city with a very high level of financial flexibility.

Key Rating Drivers

Economic Resource Base: Maitland is located in Orange County approximately 10 miles north of Orlando, encompassing 6.5 square miles with a population of approximately 17,000.

Revenue Framework: 'a' factor assessment. The city's revenues are expected to remain fairly stagnant, although substantial flexibility to raise revenues remains due to the legal ability for management to increase taxes.

Expenditure Framework: 'aa' factor assessment. Low fixed costs and a favorable workforce environment allow the city to control expenditure growth to follow that of its revenue base.

Long-Term Liability Burden: 'aaa' factor assessment. The city's long-term liability burden is a low burden on resources, with the majority of total liabilities attributable to overlapping debt.

Operating Performance: 'aaa' factor assessment. The city's financial cushion is well maintained at levels far above the emergency reserve policy. Fitch believes that the city is exceptionally well positioned to maintain strong finances throughout the economic cycle.

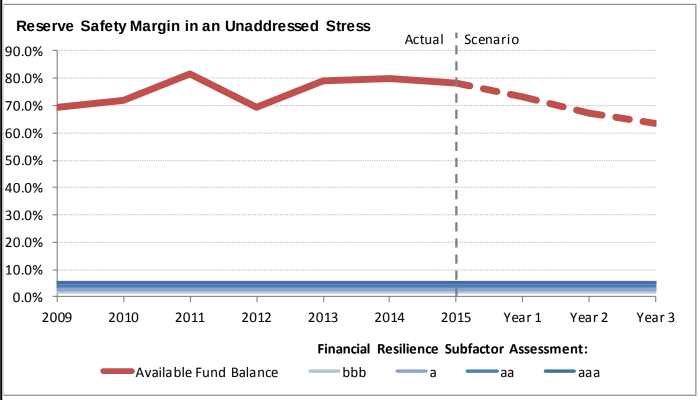
Rating Sensitivities

Financial Management: The 'AA+' rating is sensitive to the continued maintenance of sound financial practices and adequate financial flexibility in the form of reserves sufficient to offset weak revenue growth prospects.

Maitland (FL)

Scenario Analysis

v. 1.08 2016/05/17



Analyst Interpretation of Scenario Results:

A long history of mainly operating surpluses aided to the buildup of reserves to very high levels that the city plans to maintain to offset tax base volatility and emergencies. General fund reserves at fiscal 2015 year-end equaled 78% of spending. Pressures from a downturn also could be mitigated through a combination of revenue raising policy adjustments and expenditure flexibility remaining in the budget.

Scenario Parameters:	Year 1	Year 2	Year 3
GDP Assumption (% Change)	(1.0%)	0.5%	2.0%
Expenditure Assumption (% Change)	2.0%	2.0%	2.0%
Revenue Output (% Change)	(2.7%)	0.7%	4.0%
Inherent Budget Flexibility	Superior		

Revenues, Expenditures, and Fund Balance	Actuals							Scenario Output		
	2009	2010	2011	2012	2013	2014	2015	Year 1	Year 2	Year 3
Total Revenues	23,225	22,347	21,125	21,388	21,671	22,942	22,757	22,152	22,303	23,199
% Change in Revenues	-	(3.8%)	(5.5%)	1.2%	1.3%	5.9%	(0.8%)	(2.7%)	0.7%	4.0%
Total Expenditures	19,918	20,886	20,509	20,647	20,766	21,756	22,557	23,008	23,468	23,937
% Change in Expenditures	-	4.9%	(1.8%)	0.7%	0.6%	4.8%	3.7%	2.0%	2.0%	2.0%
Transfers In and Other Sources	279	299	292	371	319	304	308	300	302	314
Transfers Out and Other Uses	268	120	148	1,725	-	-	200	204	208	212
Net Transfers	11	179	144	(1,354)	319	304	108	96	94	102
Bond Proceeds and Other One-Time Uses	-	-	-	-	-	-	-	-	-	-
Net Operating Surplus(+)/Deficit(-) After Transfers	3,318	1,640	760	(613)	1,224	1,490	309	(759)	(1,071)	(636)
Net Operating Surplus(+)/Deficit(-) (% of Expend. and Transfers Out)	16.4%	7.8%	3.7%	(2.7%)	5.9%	6.8%	1.4%	(3.3%)	(4.5%)	(2.6%)
Unrestricted/Unreserved Fund Balance (General Fund)	14,024	15,074	16,859	15,565	16,395	17,420	17,786	17,026	15,955	15,319
Other Available Funds (Analyst Input)	-	-	-	-	-	-	-	-	-	-
Combined Available Funds Balance (GF + Analyst Input)	14,024	15,074	16,859	15,565	16,395	17,420	17,786	17,026	15,955	15,319
Combined Available Fund Bal. (% of Expend. and Transfers Out)	69.5%	71.8%	81.6%	69.6%	79.0%	80.1%	78.2%	73.4%	67.4%	63.4%

Reserve Safety Margins	Inherent Budget Flexibility				
	Minimal	Limited	Midrange	High	Superior
Reserve Safety Margin (aaa)	42.5%	21.3%	13.3%	8.0%	5.3%
Reserve Safety Margin (aa)	31.9%	16.0%	10.6%	6.6%	4.0%
Reserve Safety Margin (a)	21.3%	10.6%	6.6%	4.0%	2.7%
Reserve Safety Margin (bbb)	8.0%	5.3%	4.0%	2.7%	2.0%

Notes: Scenario analysis represents an unaddressed stress on issuer finances. Fitch's downturn scenario assumes a -1.0% GDP decline in the first year, followed by 0.5% and 2.0% GDP growth in Years 2 and 3, respectively. Expenditures are assumed to grow at a 2.0% rate of inflation. Inherent budget flexibility is the analyst's assessment of the issuer's ability to deal with fiscal stress through tax and spending policy choices, and determines the multiples used to calculate the reserve safety margin. For further details, please see Fitch's US Tax-Supported Rating Criteria.

Rating History

Rating	Action	Outlook/ Watch	Date
AA+	Affirmed	Stable	6/13/16
AA+	Revised	Stable	4/30/10
AA	Assigned	Stable	2/13/02

Credit Profile

Despite its small area, the city's commercial base is significant. Maitland is characterized by a dominant suburban office market for the region. The commercial mix also features a number of hotels and restaurants, Florida Hospital and a sports and training facility affiliated with the NBA's Orlando Magic. Economic activity is also driven by the leisure and hospitality sectors, with education and healthcare providing some diversity. City residents educational attainment is nearly twice that of the national level with almost 60% of residents holding a bachelor's degree or higher.

The city's tax base was negatively affected by the housing crisis, declining 23% between 2009 and 2013. Since then, taxable assessed valuation has increased 11%. City management expects assessed value (AV) growth to continue as a result of the rebound of the local housing market and new developments coming online in the near future. Despite continued growth, home values remain well below the 2006 peak.

Revenue Framework

Property taxes account for one-third of general fund revenues and are the largest single source. This is followed by a mix of sales-based taxes, utility tax and franchise fees that provide a stable though relatively flat source of revenues for the general fund.

While the mix of revenues provides some stability, general fund revenues increased only slightly over the past decade at a pace that is behind both U.S. economic expansion and inflation. The city's assessed values remain well below pre-recession levels. The city is mature and minimal population growth is expected, leading to limited revenue growth prospects without revenue-raising measures.

Property taxes are subject to a state statutory limit of 10 mills, excluding voter millage for debt service. The city's nonvoted tax rate of 4.15 mills allows for significant additional taxing flexibility. On an annual basis, the maximum millage rate that may be levied is limited to a revenue-neutral rate, adjusted for inflation. However, this maximum may be exceeded (up to the cap) by the vote of city council and is, therefore, under the city's independent control. The city also has the ability to raise fees and other service charges, including the fire impact fee, which Fitch expects will be raised to pay down a deficit in the fire impact fee fund from the fire station built in 2003.

Expenditure Framework

The city's largest expenditure is for public safety, which is about one-half of the city's general fund budget. Flexible workforce laws in the state allow significant control over headcount and wages, lending flexibility to the city, although management avoided significant spending reductions during the recession. Population growth in the city is not a pressure; the population increased about 8% from the 2000–2010 Censuses, below the national rate of growth over this period.

Fitch expects the city's spending needs to slightly exceed stagnant revenue growth in the absence of policy action.

The city's fixed carrying costs are a relatively low 11% of governmental spending, reflecting the minimal debt issued, history of making 100% of the actuarially determined contributions to pensions and other post-employment benefits (OPEBs) that are limited to an implicit subsidy.

Related Criteria

U.S. Tax-Supported Rating Criteria (April 2016)

Long-Term Liability Burden

The city's long-term liability burden is low at about 8% of personal income, primarily driven by overlapping debt of the county and school district. The city's 2016–2020 capital improvement plan is modest, with $6 million in general fund projects planned largely for a downtown revitalization project using pay-as-you-go financing. The city's public debt was fully refinanced with private bank notes in 2014; $25 million remains outstanding. The amortization schedule remains fairly slow with 41% of the debt retiring within 10 years.

The city's primary pension expenditure is for police and fire retirees who are covered under a single-employer defined benefit pension plan administered by the city. At the most recent actuarial valuation dated Oct. 1, 2014, the city's defined benefit plan is funded at 78%, or an estimated 72% using Fitch's 7% rate of return. The city also participates in the Florida Retirement System (FRS), a statewide cost-sharing pension plan. On an actuarial basis, FRS reported a July 1, 2015 funded ratio of 87%; this figure drops to an estimated 81% using a 7% return assumption. The state Legislature set employer contributions at the actuarial level in fiscal years 2014 and 2015. The combined net pension liability of the plans is $10.5 million, or just 1% of personal income.

The OPEBs are funded on a pay-as-you-go basis and provide an implicit rate subsidy to retirees hired after 1990. The unfunded accrued actuarial liability is a low 1.2% of personal income.

Operating Performance

A long history of mainly operating surpluses aided to the buildup of reserves to very high levels that the city plans to maintain to offset tax base volatility and emergencies. For details, see Scenario Analysis on page 2.

The city manages its budget conservatively, proactively maintaining reserves well in excess of their formal policy to keep 15% of governmental spending available for emergencies. This was the case throughout the recession, when the city continued making full annual pension payments on an actuarially determined basis.

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