

FITCH U.S. MUNI SURVEILLANCE: MAITLAND, FLORIDA VARIOUS RATINGS AFFIRMED

Fitch Ratings-New York-04 March 2009: During the course of routine surveillance, Fitch Ratings affirms the 'A+' rating on the City of Maitland, FL's (the city) approximate \$14 million outstanding limited tax general obligation (LTGO) bonds, series 2005 and Maitland Community Redevelopment Agency's (FL) \$13.8 million outstanding community redevelopment revenue bonds. At this time, Fitch affirms the implied GO rating of 'AA'; no GO bonds are currently outstanding. The Rating Outlook is Stable.

The implied GO rating of 'AA' reflects the city's sustained high level of financial flexibility, above-average wealth indicators, and low direct debt burden. Other credit factors include historically strong tax base growth which is likely to continue to be pressured over the near term as well as an economy somewhat concentrated in tourism and services, located five miles east of Orlando. A key rating driver is the city's ability to maintain financial flexibility while facing regional economic and housing market pressures.

The 'A+' LTGO bond rating additionally reflects the limit on pledged revenues securing the bonds provided by the maximum 0.5 mills levied on all taxable property in the city. Strong historical tax base growth has kept the levy (0.36 mills in 2009) below the maximum providing rate raising flexibility in future years to maintain 1.0 times (x) coverage should the assessable base decline.

The 'A+' rating on the community redevelopment revenue rating reflects the city's covenant to budget and appropriate (CB&A) legally available non-ad valorem revenues to fund debt service should tax increment revenues, also pledged, be insufficient. The CB&A pledge is subordinate to any future pledge of non-ad valorem revenues. Due to current economic conditions, development supporting tax increment revenues has slowed and the city will likely have to heavily subsidize debt service for the foreseeable future. Principal payments begin in fiscal 2011 and range from \$757 thousand to \$1.4 million through maturity in fiscal 2034.

Located in Orange County, Matiland's economy is centered on the tourism and services sectors. Tax base growth averaged a strong 8% from 2004-2008 but is expected to decline by 5% for 2009. Commercial taxable assessed value (TAV) continues to comprise a greater portion of total TAV with over 8 million square feet of commercial office space. The Maitland submarket office vacancy rate of 15.9% is lower than both Orlando's metrowide vacancy rate of 18.2% and the national average of 16.8%, in forth quarter 2008. The city's high TAV per capita of \$157,669 reflects the large commercial tax base as well as the above-average residential wealth. The city's per capita money figures exceed those of Orange County and the state.

Financial management is strong reflected in sustained high reserve levels. The general unreserved fund balance in fiscal 2007 totaled 45% of spending and expenditure cuts in fiscal 2008 yielded a slight increase in reserves, on an unaudited basis. Officials expect no draw on fund balance in fiscal 2009 and are in the early stages of planning for the fiscal 2010 budget. Balance in fiscal 2010 will be contingent upon the city's ability to manage further declines in TAV, the magnitude of which are still unknown. The city continues to benefit from low tax rates which provide additional flexibility.

Capital planning is also strong. Direct debt levels are 1.24% of TAV and \$1,961 per capita. There is no outstanding overlapping debt. The current five-year capital improvement plan (CIP) is \$41 million, funded mostly on a pay-as-you-go basis.

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