Fitch Ratings

FITCH AFFIRMS FLORIDA MUNICIPAL LOAN COUNCIL'S SERIES 2010B REVS AT 'AA'; OUTLOOK STABLE

Fitch Ratings-New York-21 June 2012: Fitch Ratings has affirmed the 'AA' rating on the following Florida Municipal Loan Council (FMLC) revenue bonds:

--$14.6 million, series 2010B.

The Rating Outlook is Stable.

SECURITY

The bonds are limited obligations of the Florida Municipal Loan Council (FMLC), payable from payments equal to debt service made by the borrower, the Village of Palmetto Bay, FL (the village), pursuant to the loan agreement.

The bonds were issued pursuant to bond resolutions adopted by the FMLC and a Trust Indenture, date Aug. 1, 2010 between the issuer and the trustee (Deutsche Bank).

Pursuant to the indenture, the issuer has assigned and pledged all of its right, title, and interest in and to the loan agreement, including the right to receive loan repayments, to the trustee for the benefit of bondholders.

Pursuant to the loan agreement, the village covenants to budget and appropriate (CB&A) in its annual budget, by amendment if necessary, an amount of non ad valorem revenue to satisfy its loan agreement.

The rating is based on the security structure of the loan agreement as well as the general credit characteristics of the obligor, the village. The loan security includes a covenant to budget and appropriate legally available non ad valorem revenues. FMLC is a conduit issuer.

KEY RATING DRIVERS

GOOD COVERAGE BY AVAILABLE REVENUES: Available non ad valorem revenues provide sound debt service coverage. Non ad valorem resources and consequently debt service coverage should remain good, given the village's reliance on these revenues to fund operational needs.

STRONG FINANCIAL FLEXIBILITY: Strong financial flexibility is evident in the maintenance of high reserve levels, supported by prudent financial management. Maintenance of ample reserve levels is considered fundamental to the current rating category.

ECONOMY BENEFITS FROM COUNTY EMPLOYMENT OPPORTUNITIES: Palmetto Bay is a mainly residential village that benefits from its proximity to Miami and the diverse employment base of Miami-Dade County. Village wealth levels are significantly above average.

MODERATE DEBT LEVELS: Overall debt is expected to remain moderately low, aided by the limited capital needs of the village.

CREDIT PROFILE

ADEQUATE DEBT SERVICE COVERAGE

Revenues included under the covenant are broad and diverse, accounting for 53% of total governmental revenues in fiscal 2011. Coverage of maximum annual debt service (MADS), inclusive of parity debt, was 3.4 times (x), based on fiscal 2011 audited figures and is projected at about 2.3x based on fiscal 2012 budgetary base figures. This coverage level allows for sufficient excess revenues to fund general government operations. Estimated fiscal 2012 coverage was negatively affected by an accounting change that allocated certain intergovernmental revenues (about $600 thousand in total) out of the general fund and into restricted funds. In addition, the estimate is based on budgeted figures. The village has a history of cautious budgeting that has resulted in revenues coming in better than budget estimates, and this will likely improve coverage levels.

The anti-dilution test requires the average of non ad valorem revenues for the prior two fiscal years to cover MADS at least 1.5x and projected MADS for all debt secured or payable from non ad valorem revenues must not exceed 20% of governmental fund revenues. The test is reasonably rigorous categorizing about 82% of general fund expenditures as 'essential', requiring those needs to be funded before payment of CB&A debt service.

Created with strong voter approval in 2002, the village, with a 2010 population of 23,410, benefits economically from its location in Miami-Dade County (GOs rated 'AA' with a Negative Outlook by Fitch), approximately 15 miles south of the city of Miami (GOs rated 'A-' with a Negative Outlook by Fitch). The tax base is composed primarily of low-density residences, and the limited commercial presence is oriented around automotive dealerships, large-box retailers, and office buildings. After multi-year declines in taxable assessed values (-10% and -5% in fiscal years 2010 - 2011, respectively), the county assessor is estimating growth of about 2.2% for fiscal 2012. The fiscal 2012 tax rate of 2.447 mills is low for Florida and is expected to remain at that level for fiscal 2013. Wealth levels are significantly above state and national averages, and the village reports unemployment at below the county's level, which at 9% in April 2012 was above state (8.3%) and national (7.7%) levels.

GOOD FINANCIAL OPERATIONS WITH STRONG RESERVE LEVELS

The village's financial flexibility is robust, enhanced by strong financial management and evidenced by a trend of strong reserve balances. The fiscal 2010 unreserved fund balance of $9.6 million equaled 72% of spending. For fiscal 2011, the village reported an unrestricted fund balance (the sum of the unassigned, assigned, and committed fund balance under GASB 54) of $11.3 million, or 86% of spending. On a budgetary basis, the fiscal 2012 budgeted total ending balance is about $8 million or 60% of spending. This figure may increase by about $1 million, as certain expected capital expenditures were not made during the year and budget performance was better than expected. Liquidity levels have been strong and current cash balances total about $10 million or about 75% of fiscal 2012 budgeted expenditures. The village expects fiscal 2013 revenues to be near current year levels and has asked departments to hold expenditures flat. About $1 million in capital needs spending is projected. The village expects that ending balances will be maintained at close to current year levels.

DEBT LEVELS ARE MODERATE

Debt levels are low, with direct debt at $838 per capita and 0.6% of taxable assessed value, and overall debt at $1,394 per capita and 1% of taxable assessed value. Fitch anticipates that the direct debt burden will remain low as no near-term debt issuance is planned. Capital needs are modest, and the village intends to fund them on a pay-go basis. Debt amortization is well below average at 31% of principal retiring within 10 years.

The village maintains a defined contribution plan for its employees under which it contributes 6% of employees' salaries and can match up to another 6%. Costs are modest, with the fiscal 2011 pension payment equal to about $231,000, or 1.6% of revenues. The village does not offer any OPEB except an implicit subsidy.

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Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

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, S&P/Case-Shiller Home Price Index, IHS Global Insight, Zillow.com, and National Association of Realtors.

Applicable Criteria and Related Research:
--'Tax-Supported Rating Criteria', dated Aug. 15, 2011;
--'U.S. Local Government Tax-Supported Rating Criteria', dated Aug. 15, 2011.

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Tax-Supported Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=648898
U.S. Local Government Tax-Supported Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=648842