

FITCH RATES WINTER HAVEN, FLORIDA'S REVS 'A+'; OUTLOOK STABLE

Fitch Ratings-New York-09 July 2009: In the course of routine surveillance, Fitch Ratings affirms the 'A+' rating on Winter Haven, Florida's (the city) \$22,715,000 public improvement refunding revenue bonds, series 2007 and \$7,450,000 sales tax revenue bonds, series 2002. The Rating Outlook is Stable.

The 'A+' ratings reflect solid debt service coverage by each issue's respective pledged revenues with no additional leveraging plans. The rating also considers the general credit characteristics of the city, including stable financial operations and healthy reserve levels, a modest debt burden, and a limited service-oriented economy with below average wealth levels.

The public improvement revenue bonds are secured by a first lien pledge on the city's public service utility tax (PST) imposed on the sale of electric, water, and gas services in the city, the communication services tax (CST), which is imposed on a broad base of telecommunication and cable services, and guaranteed entitlement revenues which represent a fixed amount received from the state revenue sharing trust fund. Coverage of maximum annual debt (MADS) by pledged revenue in fiscal 2008 was 3.0 times (x). The city is projecting a slightly higher coverage level of 3.08x based on projected results for fiscal 2009. The city does not plan to issue additional public improvement revenue bonds.

The sales tax revenue bonds are secured by a first lien on the city's one-half cent sales tax. Revenues are based on the level of local retail sales activity in the county, and shared by each municipality within the county according to a population based formula. MADS coverage remained solid in fiscal 2008 at 2.24x despite a 2.5% decline in pledged revenue for the year. However, the decline in pledged revenue has accelerated through the first eight months of fiscal 2009 with collections down nearly 7% from the year prior. Fitch anticipates coverage will remain at or above 2.0x for fiscal 2009, but notes the potential for rating pressure should pledged revenue continue to fall.

Winter Haven is a rural residential community located in Polk County (Fitch 'AA-' implied general obligation rating with a Stable Rating Outlook) approximately 50 miles southwest of Orlando and 50 miles east of Tampa. The city's population has grown on average 4.3% per year since 2003 to 34,404 in 2008 due to annexation and outgrowth from metropolitan areas. Leading industries include citrus production, mining (phosphates for use in fertilizers), cattle, fishing, and healthcare. Warehousing and distribution is also prominent owing to the city's central geographic location. The city's unemployment rate typically trends above the state average, although the May 2009 level, 9.4%, is lower than the state's 10%. Per capita and median household income levels each measure less than 80% of the state average.

The city's financial position remains healthy despite the challenges posed by the recession. The general fund's fiscal 2008 unreserved fund balance totaled \$6.7 million, a high 20.4% of total spending, well above the city's formal 10% target. The city anticipates closing fiscal 2009 with a surplus in the general fund totaling approximately \$490,000 to add to the unreserved fund balance. According to the city the tentative fiscal 2010 budget does not rely on the use of reserves or extraordinary cost saving measures to achieve budgetary balance. The housing market continues to pressure taxable assessed value (TAV), which declined approximately 13% to \$1.94 billion in fiscal 2010. At this time, the city does not anticipate raising the fiscal 2010 millage rate to offset the decline in TAV, resulting in a total tax levy approximately \$1.6 million lower than the current fiscal year. While Fitch recognizes the city's existing financial flexibility, the lower tax levy could pressure future financial operations by setting a lower floor for subsequent years' property taxes. Transfers from the city's water and sewer and solid waste enterprise funds support approximately 10% of general fund spending. While the city does not maintain a formal policy limiting the annual transfers into the general fund, the amount transferred each year has been relatively consistent with

prior years.

Overall debt levels are low at \$1,438 per capita and 2.6% of TAV. The city's fiscal years 2009-2013 capital improvement program (CIP) is manageable, totaling \$148 million. Approximately \$74 million of the CIP is for utility system improvements (water and sewer revenue bonds rated 'A+' by Fitch). Leisure and recreation projects will account for \$26.8 million while the remainder will benefit public safety, technology, streets, and improvements to the city's airport. Funding sources will be derived from pay-as-you go resources such as gas taxes, impact fees, grants, general fund resources and utility system revenues.

Contact: Michael Rinaldi +1-212-908-0833 or Rachel Barkley +1-212-908-0514, New York.

Media Relations: Cindy Stoller, New York, Tel: +1 212 908 0526, Email: cindy.stoller@fitchratings.com.

Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, 'www.fitchratings.com'. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.