FitchRatings
KNOW YOUR RISK

FITCH AFFIRMS VARIOUS LAKE COUNTY, FLORIDA BONDS AT 'A+'

Fitch Ratings-New York-20 October 2009: In the course of routine surveillance, Fitch Ratings affirms the following ratings for Lake County, Florida:

--$86.3 million in capital improvement revenue bonds at 'A+';
--$31.1 million in limited general obligation (GO) bonds at 'A+';
--$3.7 million in pari-mutuel sales tax revenue bonds at 'A+'.

The Rating Outlook on all of the bonds is Stable.

The 'A+' on the various revenue bonds reflects the strong debt service coverage provided by pledged revenues, sound legal provisions and the general credit characteristics of the county including moderate capital needs, a limited direct economy bolstered by its proximity to Orlando and reserve levels which, although they have declined in recent years for capital purposes, remain adequate for the rating level. The rating on the pari-mutuel revenue sales tax bonds also incorporates the strength of the state's statutory pledge to provide annual revenues to meet current debt service. The county will need to maintain adequate financial flexibility over the next few years despite a pressured operating environment.

The capital improvement revenue bonds are secured by the county's portion of the local government half-cent sales tax which is collected by the state and distributed between each county and its incorporated municipalities based on a population driven formula. The county receives roughly 2/3 of total revenue collected within the county. Pledged revenues provided 2.1 times (x) maximum annual debt service (MADS) coverage in fiscal 2008. Estimated fiscal 2009 revenue is down 9.2% from a year prior which would lower coverage to a still healthy 1.9x. Coverage is expected to remain above average as excess revenues are used to support general government operations.

The limited GO bonds are secured by the full faith and taxing power of the county, provided that the county will not levy greater than 1/3 of a mill of ad valorem taxes to pay debt service. The limited GO levy was approved by 71% of voters in a 2004 referendum. If the county were to levy the full 1/3 mill for debt service, MADS coverage would be 2.3x for fiscal 2010, assuming a 95% collection rate. The county's tax base could lose over 50% of is value and still provide adequate debt service coverage.

Debt service on the pari-mutuel bonds is covered by Lake County's statutory share of the State of Florida's sales tax as a replacement for pari-mutuel revenues, totaling $297,667 annually after an allocation to the county school district. These sales tax revenues cover MADS just over 1.0x.

Located in central Florida, Lake County's economy has historically been concentrated in citrus with some recent diversification in light manufacturing. Many residents commute to nearby Orlando, which serves as central Florida's economic anchor with a broad and diverse economy. Unemployment rates have increased with the recent economic downturn to 11.8% for August 2009 from 7.1% a year prior. AV declines have been relatively manageable in recent years with a 5.9% decline in fiscal 2009 and an additional 8.8% decrease in fiscal 2010. The county has decided to not increase the millage rate for fiscal 2010.

Financial operations for the county have historically been sound with cyclical fluctuations in fund balance levels as the county will build reserves and then draw them down for capital needs. The county has been drawing down fund balance the past few years after the unreserved fund balance reached a high 51.4% of spending at the end of fiscal 2007. Fiscal 2008 ended in a $21.7 million drawdown resulting from the purchase of a public safety radio system. Estimated fiscal 2009 results show an additional $17.7 million decrease in reserves resulting in a still healthy 15.9% of spending. The fiscal 2010 budget is balanced.

Debt levels for the county are moderate with average amortization. Capital needs have moderated in recent years as a number of large projects have been completed while planned future projects have been scaled down. The current five year capital plan totals a manageable $272.5 million with $22.6 million in unfunded projects which may be pushed back. No additional debt is currently planned.

Contact: Rachel A. Barkley +1-212-908-0514, New York or Kelly McGary +1-812-224-0492, Tampa.

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

Additional information is available at 'www.fitchratings.com'.