

RatingsDirect®

Summary:

Florida Municipal Loan Council West Melbourne; Miscellaneous Tax

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Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

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Credit Profile

Florida Mun Loan Council, Florida

West Melbourne, Florida

Florida Mun Loan Council (West Melbourne) (AGM)

Unenhanced Rating

AA-(SPUR)/Stable

Upgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services raised its rating on Florida Municipal Loan Council's non-ad valorem bonds, issued for West Melbourne, one notch to 'AA-' from 'A+' based on Standard & Poor's new local general obligation criteria, published Sept. 12, 2013, on RatingsDirect. The outlook is stable.

A loan agreement between the loan council and the city, in which West Melbourne agrees to budget and appropriate sufficient non-ad valorem revenue for debt service payments, secures the bonds.

The rating reflects our opinion of the following factors for the city:

- West Melbourne's weak economy participates in the larger Palm Bay-Melbourne-Titusville metropolitan statistical area. Projected per capita effective buying income is 103.4% of the national level. Market value is \$69,651 per capita, which we consider strong.
- Budgetary flexibility is very strong with available fund balances exceeding 26% of expenditures. West Melbourne finished fiscal 2012 with an available general fund balance of \$5 million, or 56.4% of expenditures. Management expects to post a small fund balance increase at fiscal year-end Sept. 30, 2013.
- Budgetary performance is very strong with largely stable operating revenue. West Melbourne posted surpluses of 6% and 6.3% for the general fund and total governmental funds, respectively, in fiscal 2012.
- West Melbourne's very strong liquidity provides very strong cash to cover debt service and expenditures with a total-governmental-available-cash ratio of more than 100% of total governmental funds expenditures and more than 100% of total governmental funds debt service. We believe West Melbourne has strong access to external liquidity because it issued appropriation and utility debt over the past several years.
- West Melbourne's management conditions are strong with "standard" financial management practices and policies under our Financial Management Assessment (FMA) methodology, as well as a strong record of consistently maintaining at least balanced operations. A "standard" FMA indicates the finance department maintains adequate policies in some, but not all, key areas.
- West Melbourne's debt and contingent liabilities position is strong with a total-governmental-funds-debt-service ratio of less than 1% of total governmental expenditures and a net-direct-debt ratio of 88.2% of revenue. Overall net debt is, in our opinion, low at just about 1.7% of market value. We understand West Melbourne does not currently plan to issue any additional debt over the next two years.

- West Melbourne employees participate in either the Florida Retirement System or West Melbourne's police retirement plan. City contributions to both plans are equal to the annual required contributions, which totaled \$899,879 in fiscal 2012, or 8.7% of total governmental expenditures. West Melbourne provides other postemployment benefits (OPEB) to eligible employees. It funds the OPEB obligation through pay-as-you-go financing. The \$2,000 contribution in fiscal 2012 represented 6% of the annual OPEB cost, or less than 1% of expenditures.
- We consider the Institutional Framework score for Florida cities with revenue or expenditures greater than \$250,000 strong.

Outlook

The stable outlook reflects Standard & Poor's opinion that West Melbourne will likely maintain its very strong budgetary flexibility with available balances exceeding 26% of operating expenditures. Due to West Melbourne's limited debt plans, we do not expect to change the rating again over the outlook's two-year period.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Non Ad Valorem Bonds, Oct. 20, 2006

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Florida Local Governments

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