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Fitch Affirms Maricopa County Stadium Dist, AZ's Revs at 'BBB-'; Outlook Revised to Stable

Ratings Endorsement Policy
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Fitch Ratings-Austin-27 March 2012: Fitch Ratings has taken the following rating action on Maricopa County Stadium District, Arizona's (the district) revenue bonds:

--$34.5 million revenue refunding bonds, series 2002 affirmed at 'BBB-'.

The Rating Outlook is revised to Stable from Negative.

SECURITY:
The bonds are secured by a first lien on the pledged revenues, which are derived from car rental surcharge revenues collected within Maricopa County after payment of specified Cactus League operations (approximately $115,000 for fiscal 2011) and other accounts specified in the indenture. The current car rental surcharge is the greater of 3.25% of the cost of the rental or $2.50.

KEY RATING DRIVERS:
REVENUE PERFORMANCE STABILIZES: The Outlook revision to Stable from Negative reflects the modest improvement in car rental tax collections beginning in fiscal 2011 after a trend of generally deepening declines. Nonetheless, current coverage by car rental tax collections remains less than one times (1.0x) annual debt service on the district's outstanding revenue bonds.

FINANCIAL CUSHION MAINTAINED: The district maintains a solid debt service fund balance and other funds that supplement pledged revenues for debt service. Fitch maintains the low investment grade rating of 'BBB-' given these reserves provide a multi-year cushion sufficient thru pay-out of the bonds assuming no increase in currently projected fiscal 2012 year-end revenues.

SLOW PACE OF ECONOMIC RECOVERY ANTICIPATED: Although certain indicators suggest modest improvement recently (e.g. unemployment rate, car rental tax revenues), near-term estimates for the Phoenix area economy project a slow pace of economic recovery that could stall further gains in pledged car rental tax revenues. Nonetheless, the metro area remains a popular resort and retirement destination in the U.S.

NO PLANS FOR ADDITIONAL LEVERAGING: The district has no additional significant borrowing plans as future capital outlays for the Arizona Cactus League (the spring training league for major league baseball) will be funded by the Arizona Sports and Tourism Authority (the authority).

WHAT COULD TRIGGER A RATING ACTION:
SIGNIFICANT REVENUE TRENDS: The sustained, material improvement or deterioration of pledged revenues could affect credit quality.

CREDIT PROFILE:

REVENUES STABILIZE AFTER MULTI-YEAR DOWNWARD TREND
Pledged car rental tax revenues have declined in four of the past five fiscal years due to the impact of the recession on business and recreational travel to the Phoenix metropolitan area. Revenues started declining at about 3% in fiscal 2007 and 2008 and then experienced more dramatic drops of 12% or more in both fiscal 2009 and 2010. This trend reduced annual revenues from a peak of nearly $6.5 million in fiscal 2006 to $4.7 million in fiscal 2010. Most recently, however, the downward trend halted with modest growth in fiscal 2011 revenues, up nearly 7% to $4.9 million on an audited basis. Nonetheless, the gain in annual revenues (including investment earnings) remained short of the annual debt service requirement of $5.4 million, resulting in 0.98x coverage for fiscal 2011.

SOLID FINANCIAL CUSHION
The negative coverage margin remains a primary credit concern. Near term estimates for the Phoenix area economy project a slow pace of economic recovery that could stall further gains in the pledged revenues. Fitch believes a return of surcharge revenues to amounts sufficient to meet annual debt service requirements (which remain level through pay-out in 2019) is likely at least a few years off. However, Fitch derives comfort from available reserves that provide a sizable cushion presently for debt service. These include debt service funds, the cash portion of which totaled $5.8 million at fiscal 2011 year-end, and available special revenue funds that totaled nearly $3.6 million. Fitch notes that the available special revenue funds are not restricted for debt repayment and can be used for other purposes. Currently, management reports year-to-date revenues in fiscal 2012 are up roughly 3% through February, although a return to double-digit revenue declines over an extended period would erode the district's solid cushion for debt service, at which time, the rating would likely be under additional downward pressure.

TRANSFER OF SURPLUS FUNDS HALTED
The district was created in 1991 and is governed by the county board of supervisors. The district was authorized to issue bonds or other obligations to acquire land, construct and finance new facilities or promote the use of existing facilities for Cactus League operations. Pursuant to a 2003 intergovernmental agreement between the district and the authority, surplus monies as of June 1 (after distributed in flow of funds priority, including funding of the subsequent year's debt service) are transferred to the authority for Cactus League related expenditures. The district assigned to the authority its right to receive car rental tax revenues, and this assignment is subordinate to the pledge of these revenues to bonds' flow of funds. No transfer of surplus funds has occurred in the past two fiscal years given recent weakness in car rental tax revenues and none is expected for fiscal 2012.

NO ADDITIONAL LEVERAGE PLANS
Additional legal provisions are satisfactory, including allowing additional parity bonds to be issued with historical 1.50x maximum ADS (MADS) coverage. However, Fitch does not expect any additional debt issuance since future Cactus League capital projects will be funded by the authority. The rate covenant requires the district to maintain the surcharge at no less than the maximum rate allowed by law or the rate that produces revenue equal to 2.0x MADS; the current rate is the legal maximum. Fitch notes that neither the additional bonds test nor the rate covenant are significant credit factors presently, given the decline in revenues and the fact that the surcharge rate is at the statutory maximum.

MIXED ECONOMIC PROFILE; SLOW PACE OF RECOVERY EXPECTED

Maricopa County is the economic and population center of Arizona, encompassing Phoenix and surrounding suburbs within its over 9,000 square mile boundary. Currently estimated at just under four million, population growth has been rapid over the past two decades and is expected to remain strong given the area's continued popularity as a resort and retirement location. This rapid growth fed the housing construction boom that ultimately led to the collapse of the overheated housing market beginning in 2008 with subsequent, associated employment losses and above-average home value declines. Some evidence of a slow-paced economic recovery is evident; at 7.7% as of December 2011, job gains were realized and the county's unemployment level year-to-date fell in line with the nation. However, recent home price data suggest any meaningful resumption of building activity may be further off. Fitch notes that working through the above-average foreclosures and vacancies that occurred in the area at the height of the downturn, as well as depressed prices, is likely to be a drag on the economic recovery for some time.

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

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

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