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Summary:
Bridgeview, Illinois; General Obligation

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Summary:
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Credit Profile		
Bridgeview GO		
Unenhanced Rating	BBB+(SPUR)/Negative	Downgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services lowered to 'BBB+' from 'A-' the long-term rating and underlying rating (SPUR) on Bridgeview, Ill.'s general obligation (GO) bonds. The outlook is negative.

The downgrade reflects the significant level of stress placed on the village's finances by its underperforming soccer stadium. To mini mize property tax increases, the village has used general fund revenues and issued additional debt to pay debt service on its GO bonds related to the stadium. The village's very high debt level is mainly due to its series 2005 GO bonds, of which $128.4 million is outstanding, to build a soccer stadium. The village also issued $50 million of variable-rate GO bonds in 2008, proceeds from which the village mostly used to refund economic development notes and bank lines that it incurred to buy land around the stadium and other parts of the village for future development. Because of the uncertainty about the extent to which the stadium fund will be able to support debt service from net revenues, the village is faced with either levying property taxes or using general fund resources to make up the difference.

The negative rating outlook reflects our view of the village's ongoing challenge to maintain balanced operations and strong reserves if the stadium does not provide net revenues to help pay debt service as expected. In such a situation, the village will have to use general fund resources to subsidize debt service on its stadium debt.

Positive credit rating factors include our view of the village's:

- Access to, and participation in, the deep and diverse Chicago metropolitan area economy;
- Good income level and an extremely strong market value per capita; and
- Very strong general fund balance.

In an effort to reduce its subsidy of debt service from the general fund on its GO bonds related to the stadium, and reduce its reliance on stadium revenues to pay debt service, the village embarked on a multiyear plan to raise property taxes levied for debt service to as much as $9.1 million in 2016, from $2.1 million in 2010. Management reports that the amount of property taxes to be levied for debt service will reflect the amount of available revenues from the stadium and other sources. The plan assumes only $4 million of available revenues from the stadium instead of the $8 million projected in 2005, which is higher than the $3 million available in 2011 and the $1.7 million of earnings before interest, depreciation, and amortization reported for 2010. In order to ease the transition to higher debt service levies, the village issued $22.5 million of unrated private placement GO bonds in 2011 to establish a $6.85 million debt service stabilization fund and pay $6.45 million of series 2005 debt service.

Bridgeview is located 15 miles southwest of downtown Chicago and about four miles south of Midway Airport. It is

a mature community with a stable population of about 16,000. The village's equalized assessed valuation (AV) grew 12% in 2008 as a result of the triennial revaluation, but decreased 5.7% in 2009 and 2.1% in 2010 to $549.5 million due to the county's new assessment methodology and the recession's impact. Estimated market value stands at $1.73 billion, which in our view an extremely strong $105,200 per capita. The high market value per capita reflects the village's industrial and commercial base, which accounts for roughly two-thirds of equalized AV. Median household effective buying income is good at 91% of the state's and 93% of the national average. Due to the level of commercial activity in the village, including stadium-related events, per capita retail sales were 154% of the nation's level in 2010.

The village's financial operations are aided by its status as a home rule jurisdiction, acquired by voter referendum in 2001, which provides increased taxing and borrowing capacity. The general fund balance increased $1.46 million in fiscal 2010 (Dec. 31) to $5.8 million. Most of that amount is unreserved and represents, in our opinion, a very strong 36% of expenditures. Based on audited financial statements, the positive result in 2010 was due to a $3.25 million line of credit borrowing, which counterbalanced a $1.8 million operating deficit and a $1.5 million transfer from the general fund to the stadium fund. The general fund balance is down from the $8.2 million (42%) reported for 2008, and includes a $4.8 million account receivable from the stadium fund. Cash and cash equivalents made up only $1.26 million of general fund assets at the end of 2010 but improved with $4.85 million of proceeds from the series 2011 bonds.

For 2011, management projects balanced general fund operations with $1 million of sales tax transfers from the tax increment financing (TIF) fund and $850,000 of transfers from the water utility fund. Management also reports that it transferred $8.1 million of series 2011 bond proceeds into the general fund in 2011, $3.25 million of which was used to pay the line of credit borrowings from 2010 and $4.85 million of which was used to monetize the account receivable from the stadium fund. For 2012, management expects the general fund budget, which will be finalized in March, to be balanced after transfers.

Standard & Poor's considers Bridgeview's financial management "standard" under its Financial Management Assessment, indicating that the finance department maintains adequate policies in some, but not all, key areas.

With the village's issuance of its $22.5 million series 2011 GO bonds, direct debt grew to $217.5 million. All but $17 million relates to the stadium project. The village does not have outstanding line of credit borrowings at this time. According to the terms of the series 2011 bonds, the bondholder has the option in 2016 to either accelerate most of the remaining principal on the bonds over 2017-2021, or to require the mandatory redemption of the $14 million remaining bonds on July 1, 2018. The overall debt burden, including overlapping debt, is high at $16,500 per capita and 15.7% of market value. Amortization is slow, with only 27% repaid over 10 years and 68% in 20 years. Management states that the village does not have additional debt plans at this time.

The village's nonpublic safety employees are covered by the Illinois Municipal Retirement Fund (IMRF). Police and firefighters are covered by the village's single-employer defined-benefit pension systems. After paying its full annual pension cost (APC) for a number of years, the village is currently paying its IMRF contributions according to a reduced phase-in plan allowed by the system; the funded ratio was 67% at the end of 2010. The village paid 96% of its APC for its police pension system in 2009 and 83% in 2010; the police pension was 52% funded as of Dec. 31, 2009. The village paid 93% of its APC for the firefighters' system in 2009 and 79% in 2010; the firefighters' system was 55% funded at the end of 2009. The village subsidizes 50% of retiree health care through age 65 on a pay-as-you-go basis. The unfunded actuarial accrued liability for the village's other postemployment benefits was

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only $3.8 million at the end of 2009.

Outlook

The negative outlook reflects Standard & Poor's expectation that the village will be challenged to maintain balanced operations and strong reserves if it continues to use general fund resources to subsidize debt service on its stadium debt. We may have to again lower the rating by one or more notches during the outlook's two-year timeframe if the village substantially reduces its general fund reserves to pay debt service should net stadium revenues fall short of expectations. Revising the outlook back to stable would be contingent on the village's ability to pay debt service while maintaining adequate liquidity and strong general fund reserves.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008

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