Bridgeview Finance Corporation, Illinois

New Issue Report

Ratings

Village of Bridgeview Issuer Default Rating	BB+
New Issues	
$26,600,000 Bridgeview Finance Corporation Sales Tax Securitized Bonds, Series 2017A	BBB+
$20,400,000 Bridgeview Finance Corporation Sales Tax Securitized Bonds, Series 2017B	BBB+

Rating Outlook

Stable

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New Issue Details

Sale Date: Dec. 21 via negotiation.

Series: $26,600,000 Bridgeview Finance Corporation Sales Tax Securitized Bonds, Series 2017A, and $20,400,000 Bridgeview Finance Corporation Sales Tax Securitized Bonds, Series 2017B.

Purpose: The series 2017A corporation bonds will refund Bridgeview's (the village) series 2008A-2 bonds, finance a debt service payment on the village's series 2005 bonds and finance several capital projects. The 2017B bonds will refund the village's series 2008B-1 and series 2008B-2 bonds, eliminating the village's variable-rate debt obligations.

Security: The sales tax securitized bonds have a first lien on the state-collected portion of the village's home rule sales tax and local share of the statewide sales tax, net of an administrative fee imposed by the state.

Key Rating Drivers

Special Revenue Analysis: The 'BBB+' sales tax securitized bond rating is based on the bankruptcy-remote, statutorily defined nature of the issuer and a bond structure involving a perfected first lien security interest in the sales tax revenues. These are key credit strengths that lead Fitch Ratings to consider the credit quality of Bridgeview Finance Corporation's (the corporation) bonds as distinct from that of the village.

Stagnant Growth Prospects: Pledged sales tax revenues, net of some adjustments, have generally been growing slower than the rate of inflation. Fitch expects this stagnant growth to continue.

Resilience Throughout Economic Cycles: The pledged revenue stream has a high-level resiliency to anticipated declines in an economic downturn scenario. Coverage is strong and sales tax revenue is able to tolerate a 66% decline to 1.0x coverage, which is less than 3.0x, the largest historical decline, and approximately 11.0x the recessionary impact estimated by the Fitch Analytical Sensitivity Tool (FAST). No additional debt is allowed under the bond resolution.

Concentrated Sales Tax Revenue Base: The village's top 10 sales tax generators account for over one-half of pledged sales tax revenue, which introduces a degree of concentration risk.

IDR Limited by High Debt Burden: The 'BB+' Issuer Default Rating (IDR) reflects the village's very high debt burden and just adequate gap-closing capacity. The rating also reflects stagnant revenue growth with limited expenditure flexibility, which is partially offset by the village's high independent legal ability to raise revenues through its home rule status. Sales tax revenues are the village's largest source of operating revenue.

Rating Sensitivities

Material Decline in Debt Service Coverage: The 'BBB+' rating reflects the risk of pledged revenue declines related to a highly concentrated revenue base but severe declines of a scale beyond Fitch's expectations could pressure the rating.

IDR Sensitive to Change in Liability Levels: The IDR is sensitive to changes in the village's very high liability burden. Declines in the liability burden may lead to improvement in the rating.

Rating History — IDR

Rating	Action	Outlook/ Watch	Date
BB+	Assigned	Stable	12/19/17

Rating History — Sales Tax Securitized Bonds

Rating	Action	Outlook/ Watch	Date
BBB+	Assigned	Stable	12/19/17

Related Research

Fitch Rates Bridgeview Finance Corp., IL $47MM Sales Tax Securitized Bonds 'BBB+'; Outlook Stable (December 2017)

Related Criteria

U.S. Public Finance Tax-Supported Rating Criteria (May 2017)

Change in Revenue Growth Prospects: The IDR is also sensitive to changes in expectations for revenue growth that would either increase pressure on the village's ability to maintain modest reserve levels or improve its financial resilience in economic downturns.

Credit Profile

Economic Resource Base

Bridgeview is located 13 miles southwest of downtown Chicago and has a population of approximately 16,000. Residential properties make up approximately 46% of the tax base, while commercial and industrial properties comprise the majority of the remainder. The village has seen multiple years of assessed value (AV) declines, including a cumulative 18% decline from 2012 through 2016. Income levels are below those of the state and the poverty rate is above county and state levels. The village is located along a retail artery that reportedly attracts shoppers from neighboring municipalities, supporting the sales tax revenue stream. The village is the home of the Chicago Fire of Major League Soccer, for which it financed a stadium.

Strong Legal Framework for Sales Tax Securitized Bonds

The 'BBB+' sales tax securitized bond rating is based on the very strong legal structure that supports a true sale of the revenues and, in Fitch's opinion, insulates bondholders from any operating risk of the village of Bridgeview. As the structure is a securitization specifically authorized by state law, the rating is not limited by the village's 'BB+' IDR.

The village will sell all right, title and interest in the pledged revenues to the corporation, a limited purpose entity. The state will direct all pledged sales tax revenues to the trustee for benefit of corporation bondholders and the residual will flow to the village for any lawful purpose. Pledged revenues include the portion of the village's home rule sales taxes that are collected by the state as well as its local share of state sales taxes.

The pledged home rule sales taxes comprise two separate taxes: a 1.25% Home Rule Municipal Retailers' Occupation Tax on gross receipts from sales of tangible personal property by retailers in the village and a 1.25% Home Rule Municipal Service Occupation Tax on tangible personal property purchased from a service provider. There is no legal limit to the rate the village may impose for these.

The pledged local share sales tax revenues comprise two separate taxes: the Illinois Retailers' Occupation Tax (village portion is currently equivalent to 1% of sales within the village) and the Illinois Service Occupation Tax (village portion is currently equivalent to 1% of sales within the village). Any changes to the tax rates or allocation of local share sales tax revenues would require action by the Illinois General Assembly. The Illinois Retailers' Occupation Tax and the Illinois Service Occupation Tax are not subject to appropriation. Some of the pledged revenues collected by the state are net of an administrative fee imposed by the state.

The authorizing act assures that the state "will not limit or alter the basis on which transferred receipts are to be paid to the issuing entity as provided in this Article, or the use of such funds, so as to impair the terms of any such contract."

Revenue Stream Sensitivity and Resilience

To evaluate the sensitivity of the dedicated revenue stream to cyclical decline, Fitch considers both revenue sensitivity results (using a 1% decline in national GDP scenario) and the largest decline in revenues over the period covered by the revenue sensitivity analysis. Based on the historical performance of pledged sales tax revenues since 2000, after adjusting for several accounting and non-economically generated revenue changes, FAST generates a 6% scenario decline. The largest cumulative decline was a 22% decline between 2007 and 2009.

Assuming the leverage amount after this sale, since the lien will be closed, pledged revenues could withstand a 65% decline before they were insufficient to fully cover debt service based on MADS coverage of 2.9x. This is 11.0x the recessionary impact estimated in Fitch's FAST scenario and just less than 3.0x largest actual historical cumulative decline. Fitch considers this to be an 'aa' level of resiliency.

Concentrated Sales Tax Revenue Base

Fitch also reflects the high degree of concentration (top 10 taxpayers comprise over one-half of sales tax generated) in the overall rating as an asymmetric additive risk factor.

Pledged Revenue Growth Prospects

Pledged revenues, net of adjustments, have grown at a rate below the rate of inflation. Fitch expects future revenue growth to approximate this historical trend of stagnant growth over the medium to long term.

IDR Key Rating Drivers

Revenue Framework

Fitch expects that general fund revenue growth will be stagnant, below the rate of inflation. The village has ample independent legal ability to increase revenues as a home rule municipality.

Expenditure Framework

Expenditure growth is expected to be above revenue growth and the village has a limited ability to adjust expenditures due to its high carrying costs.

Long-Term Liability Burden

The village's long-term liability burden, including the net pension liability and overall debt, is very high.

Operating Performance

Fitch believes that the village has only adequate gap-closing capacity and that operations could become stressed in a downturn. The village has made several budget management decisions in the last several years that have eroded its ability to support operations, including general obligation backing of the Chicago Fire stadium.

IDR Credit Summary

Revenue Framework

The village largely relies on sales tax receipts, which made up 48% of 2016 general fund revenue. Property tax (13%), charges for services (9%) and intergovernmental revenue (10%) accounted for the bulk of the remainder.

Fitch expects that the village's revenue will grow below the rate of inflation. Sales tax revenue net of accounting adjustments has generally grown at a rate below inflation historically and the village's AV has been pressured by declines in four of the past five years, although AV did grow in the past year.

The village is a home rule municipality and not subject to the state's Limitation Law. The village has used this flexibility to adjust property tax rates on an annual basis and maintains the independent legal ability to adjust the sales tax or other tax rates.

Expenditure Framework

General government administration makes up the largest portion of the village's general fund expenditures (approximately 50% of 2016 expenditures). The second largest is public safety (36%).

The natural pace of expenditure growth is likely to be well above that of the stagnant revenue growth. Absent policy action to control costs, expenditures are expected to increase at a rate higher than inflation as salary is the largest driver of operating expenditure growth and the village's labor contracts contain 2.5% annual increases. The village has been funding a portion of stadium management and debt service expenditures out of the general fund and being reimbursed for a portion of management expenses out of the stadium fund. Management hopes to have a new naming rights deal in place for the stadium in the near future and expects that the stadium will be able to increase its reimbursement to the general fund.

The village has limited flexibility to adjust its main expenditure items. Fixed carrying costs for debt service and retiree benefits are elevated at about 46% of expenditures in 2016, largely due to the high level of debt service payments (37% of expenditures). Fitch expects that the high costs to carry its liabilities will continue due to the slow rate of amortization.

Long-Term Liability Burden

The village's long-term liability burden is very high, with overall debt and the unfunded pension liability currently 61% of village personal income. Direct debt comprises 68% of the liability burden with overlapping debt and the Fitch-adjusted net pension liability comprising the remainder. Direct debt is elevated largely due to GO bonds the village issued in 2005 to finance the construction of a stadium for the Chicago Fire. The village has no near-term debt plans beyond the current sales tax securitized issuance.

Since over 50% of the village's tax base is either commercial or industrial, Fitch also compared the village's long-term liability burden to taxable market value. On this basis, the village's long-term liabilities are still a high 34% of market value. Fitch sees limited prospects for this ratio to improve given recent declines in market value and the slow pace of debt payout.

The village participates in three defined benefit pension plans: the agent multiple-employer Illinois Municipal Retirement Fund (IMRF), the single-employer Police Pension Plan (PPP) and the single-employer Firefighters' Pension Plan (FPP). The IMRF is statutorily funded at the actuarially determined contribution amount and the PPP and FPP are funded at an actuarially determined amount. Fitch calculates the village's share of the net pension liability to all three funds to equate to a ratio of assets to liabilities of 48%, assuming a 6% discount rate.

Operating Performance

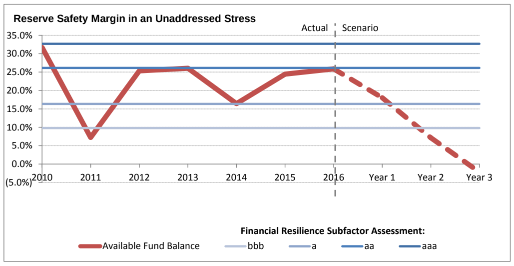
The village has just adequate gap-closing capacity to address a moderate economic downturn. For details, see Scenario Analysis, page 6.

The village has managed its budget throughout the recovery through increasing various taxes allowable through its home rule status. After losing stadium naming rights revenue in 2015, management has made recent progress in reducing the stadium fund's reliance on the general fund for operations and debt service through its pursuit of a new naming rights deal. A new deal would partially reduce the stadium's reliance on the general fund during the length of a new deal, although naming rights revenue would be reliant on the credit quality of the company the village reaches the deal with. Fitch expects that ongoing budget management may be somewhat constrained by the sales tax securitized issuance as it diverts a portion of its sales tax revenue away from the general fund to pay for debt service and may require a corresponding increase in property tax rates. Constrained liquidity is a negative rating consideration; the village's days cash on hand was a low 48 days in fiscal 2016.

Bridgeview Village (IL)

Scenario Analysis

v. 2.0 2017/03/24



Analyst Interpretation of Scenario Results:

The village has just adequate gap-closing capacity to address a moderate economic downturn. Despite the village's notable legal revenue-raising flexibility due to its home rule status, Fitch believes that in a moderate downturn general fund financial operations could become stressed due to its limited expenditure flexibility, necessitating the use of some available reserves. Fitch believes that although the village has sizable current available reserves on a nominal basis, including cash from the village water fund that can be used for operations, reserves provide a 'bbb' level of financial resilience through downturns in the context of midrange inherent budget flexibility and the comparatively high volatility of village revenue.

Scenario Parameters:	Year 1	Year 2	Year 3
GDP Assumption (% Change)	(1.0%)	0.5%	2.0%
Expenditure Assumption (% Change)	2.0%	2.0%	2.0%
Revenue Output (% Change)	(6.5%)	(1.5%)	3.5%
Inherent Budget Flexibility	Midrange		

Revenues, Expenditures, and Fund Balance	Actuals							Scenario Output		
	2010	2011	2012	2013	2014	2015	2016	Year 1	Year 2	Year 3
Total Revenues	14,581	14,426	15,990	18,581	18,507	20,934	21,569	20,160	19,856	20,557
% Change in Revenues	-	(1.1%)	10.8%	16.2%	(0.4%)	13.1%	3.0%	(6.5%)	(1.5%)	3.5%
Total Expenditures	16,400	21,220	19,000	20,365	21,666	21,719	22,767	23,223	23,687	24,161
% Change in Expenditures	-	29.4%	(10.5%)	7.2%	6.4%	0.2%	4.8%	2.0%	2.0%	2.0%
Transfers In and Other Sources	5,234	24,557	2,048	2,249	1,937	2,747	1,578	1,475	1,453	1,504
Transfers Out and Other Uses	1,952	14,682	2,738	478	482	477	122	124	127	129
Net Transfers	3,282	9,875	(690)	1,771	1,455	2,270	1,456	1,351	1,326	1,375
Bond Proceeds and Other One-Time Uses	-	-	-	-	-	-	-	-	-	-
Net Operating Surplus(+)/Deficit(-) After Transfers	1,463	3,082	(3,700)	(13)	(1,704)	1,485	258	(1,712)	(2,505)	(2,230)
Net Operating Surplus(+)/Deficit(-) (% of Expend. and Transfers Out)	8.0%	8.6%	(17.0%)	(0.1%)	(7.7%)	6.7%	1.1%	(7.3%)	(10.5%)	(9.2%)
Unrestricted/Unreserved Fund Balance (General Fund)	5,677	2,311	5,058	5,046	3,341	4,827	5,085	3,373	868	(1,362)
Other Available Funds (Analyst Input)	139	278	452	385	298	599	834	834	834	834
Combined Available Funds Balance (GF + Analyst Input)	5,816	2,589	5,510	5,430	3,639	5,426	5,919	4,207	1,702	(528)
Combined Available Fund Bal. (% of Expend. and Transfers Out)	31.7%	7.2%	25.3%	26.1%	16.4%	24.4%	25.9%	18.0%	7.1%	(2.2%)

Reserve Safety Margins	Inherent Budget Flexibility				
	Minimal	Limited	Midrange	High	Superior
Reserve Safety Margin (aaa)	104.6%	52.3%	32.7%	19.6%	13.1%
Reserve Safety Margin (aa)	78.4%	39.2%	26.1%	16.3%	9.8%
Reserve Safety Margin (a)	52.3%	26.1%	16.3%	9.8%	6.5%
Reserve Safety Margin (bbb)	19.6%	13.1%	9.8%	6.5%	3.3%

Notes: Scenario analysis represents an unaddressed stress on issuer finances. Fitch's downturn scenario assumes a -1.0% GDP decline in the first year, followed by 0.5% and 2.0% GDP growth in Years 2 and 3, respectively. Expenditures are assumed to grow at a 2.0% rate of inflation. Inherent budget flexibility is the analyst's assessment of the issuer's ability to deal with fiscal stress through tax and spending policy choices, and determines the multiples used to calculate the reserve safety margin. For further details, please see Fitch's US Tax-Supported Rating Criteria.

The ratings above were solicited and assigned or maintained at the request of the rated entity/Issuer or a related third party. Any exceptions follow below.