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Fitch Affirms Coopersville, MI GO Bonds 'A+'; Outlook to Negative

05 Jun 2009 1:44 PM (EDT)

Fitch Ratings-New York-05 June 2009: In the course of routine surveillance, Fitch Ratings affirms the 'A+' rating on Coopersville, Michigan's approximately $1.66 million in outstanding general obligation limited tax (LTGO) series 2006 bonds, and revises the Rating Outlook to Negative from Stable.

The change in Outlook to Negative from Stable reflects economic deterioration, with high county unemployment rates and reductions in the city's tax base both recently and going forward. The city continues to have exposure to durable manufacturing, and although the city has successfully managed through the closure of its largest auto supplier firm, the local economy may weaken further given recent announcements of automotive plant closings and reduced auto related employment in the region. Maintenance of the 'A+' rating is contingent on whether the city can manage through the current economic weakness. Also, a downgrade could occur should the economy deteriorate more significantly.

The 'A+' rating reflects strong financial management by the city, characterized by ample reserves and multi-year financial forecasting. Combined with the city's property taxing margin under the Headlee millage cap, the city is well positioned to handle reductions in state aid, decreases to taxable value and the general economic downturn. In addition, the purchase of the vacant Delphi plant (closed in 2008) by Continental Dairy will enable diversification of the local economy and thus mitigate some of the city's exposure to the automotive industry in coming years.

Located in Ottawa County (rated 'AAA' by Fitch), Coopersville is located approximately 15 miles from Grand Rapids. Unemployment for the county has risen sharply in the past year to 12.6% in March 2009 from 6.2% in 2008, partly due to the recent downturn of the automotive industry. Taxable values in the city declined in fiscal 2008 and 2009 by 3.4% and 5.0% respectively. The market value also decreased by 9.5% in 2009 as housing prices have declined.

The city's long-term financial planning includes cost control initiatives to maintain a 30% fund balance level despite anticipated tax base declines and reductions to state shared revenues. As a result of strong management and monitoring, fund balance levels have exceeded desired levels and have remained in excess of 40% in the past three years, in spite of the loss of Delphi, previously the city's largest taxpayer. In fiscal 2008, the unreserved fund balance was approximately $1.3 million or 64% of spending, compared to approximately $908,000 (44%) in 2006. Draws for 2009 and 2010 are expected to result in still healthy fund balances of 57% and 43%, respectively. Management maintains a six-year forecast which it actively updates to accurately reflect changes in financial and economic pressures.

The city has factored in a 5% decline to property tax revenues in fiscal 2010 and smaller declines have been projected until fiscal 2013. The city may consider a millage increase in the coming years as one of various options available to maintain a stable financial position. Continental Dairy, which purchased the Delphi plant in early 2009, is expected to invest approximately $100 million to convert the plant into a milk processing facility, which would be fully operational by late 2010 or early 2011. Fitch expects new ownership will reduce economic concentration in the automotive industry in the coming years.

Debt levels are low on a per capita basis, but moderate to moderately high as a percentage of property values. The city's largest capital project is an upgrade of its wastewater treatment system, expected to cost about $9 million and be financed through federal loans.

Contact: Dora Lee +1-212-908-0341, New York; or Melanie Shaker +1-312-368-3143, Chicago.

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