

RatingsDirect®

Summary:

Springfield, Michigan; General Obligation

Primary Credit Analyst:

Michael S Furla, Chicago (1) 312-233-7002; michael_furla@standardandpoors.com

Secondary Contact:

Kathryn A Clayton, Chicago (1) 312-233-7023; kathryn_clayton@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

Springfield, Michigan; General Obligation

Credit Profile

Springfield

Long Term Rating

A+/Stable

Affirmed

Rationale

Standard & Poor's Ratings Services affirmed its 'A+' long-term rating on Springfield, Mich.'s existing general obligation (GO) bonds. The outlook is stable.

The rating reflects our view of the city's:

- Access to employment opportunities in nearby Battle Creek, Mich.;
- Very strong general fund financial reserves, paired with "good" management policies; and
- Low to moderate overall net debt burden, with rapid amortization.

The city's limited tax base and below average income and wealth levels are offsetting credit factors.

All of the city's outstanding debt is backed by its limited-tax GO pledge.

Springfield is in south-central Michigan in Calhoun County about two miles west of downtown Battle Creek and 20 miles east of Kalamazoo, servicing an estimated 4,964 residents. Income levels in the city are adequate, in our opinion, with median household effective buying income at 65% of national levels. Market value has decreased by a 2.7% annual average since 2008 to \$177.5 million in 2012 or \$35,752 per capita, which we consider adequate. Due to its proximity to Battle Creek, much of the local economy centers on automotive parts manufacturing and cereal production; access to Battle Creek also provides a variety of employment opportunities. Unemployment for Calhoun County during the first nine months of 2012 averaged 7.6%, well below the 9.1% state and 8.3% national averages, for the same period.

In our view, the city's finances are strong, as evidenced by four consecutive years of audited general fund surpluses. The city posted an audited \$37,000 general fund surplus in fiscal 2011, bringing the unassigned general fund balance to \$782,000 or 32.2% of expenditures, which we consider very strong. Management has budgeted for a small \$12,000 deficit in fiscal 2012. We understand that the city expects an \$81,000 operational deficit for fiscal 2013. The city has historically utilized conservative budgeting practices, resulting in better than anticipated results.

Springfield's management practices are considered "good" under Standard & Poor's financial management assessment (FMA) methodology, indicating that practices exist in most areas although not all may be formalized or regularly monitored by governance officials.

We consider the city's overall net debt burden to be low on a per capita basis, at \$1,344, and moderate as a percent of

market value at 3.8%. Amortization is rapid, with 66% of principal due to retire within 10 years and 100% due to be retired within 20 years. We understand the city has no additional debt plans at this time.

The city participates in the Michigan Municipal Employees' Retirement System, a multiple-employer defined benefit pension plan, and contributed \$194,849 in fiscal 2011. The city also contributes to an other post-employment benefit (OPEB) plan, which is funded on a pay-as-you-go basis. Most recently in 2011, the city contributed \$162,691 to its OPEB plan. The combined pension and OPEB contributions represent 10.8% of total government expenditures for fiscal 2011.

Outlook

The stable outlook reflects our expectation that the city will maintain strong financial reserves, and proactively manage its budget, which is consistent with its current practice. Given the city's stable financial position, we do not anticipate changing the rating within the two-year outlook horizon. The city's proximity to Battle Creek provides additional stability to the rating.

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

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2012 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

McGRAW-HILL