Meriden, Connecticut

General Obligation Bonds
New Issue Report

Ratings

New Issue

General Obligation Refunding Bonds, Issue of 2012	AA–
Outstanding Debt	
General Obligation Bonds	AA–

Rating Outlook
Stable

Related Research
Fitch Upgrades City of Meriden, CT GOs to 'AA–'; Outlook Stable (March 2011)

Fitch Affirms City of Meriden, CT GOs to 'AA–'; Outlook Stable (December 2012)

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New Issue Details

Sale Information: $10,000,000 General Obligation Refunding Bonds, Issue of 2012, via negotiated sale the week of Dec. 24.

Security: The full faith, credit, and unlimited taxing power of Meriden.

Purpose: To refund at or prior to maturity all or any portion of the aggregate principal amount outstanding of certain of the city's outstanding GO bonds.

Final Maturity: Aug. 1, 2028.

Key Rating Drivers

Sound Financial Performance: The city's prudent and conservative budgeting practices have resulted in sound operating results somewhat offsetting pressure from potential reductions in state aid and increased costs for education and public safety.

Mixed Socioeconomic Indicators: Wealth levels are above average, and unemployment is high relative to the state and nation.

Low Debt Burden: Debt levels are low, with above-average amortization of principal. Future borrowings are planned for new school construction and recurring capital maintenance and replacement costs. Debt policies should keep ratios in acceptable ranges.

Manageable Retiree Costs: The city has been making 100% of required contributions to its pension plans and prudently increased annual contributions for its other post-employment benefits (OPEB) obligation. These liabilities are currently at manageable levels.

Rating History

Rating	Action	Outlook/ Watch	Date
AA–	Affirmed	Stable	12/14/12
AA–	Upgraded	Stable	3/31/11
A+	Revised	Stable	4/30/10
A–	Affirmed	Stable	7/22/08
A–	Upgraded	Stable	7/19/06
BBB+	Assigned	Positive	7/26/04

Related Criteria

U.S. Local Government Tax-Supported Rating Criteria (August 2012)

Tax-Supported Rating Criteria (August 2012)

General Fund Financial Summary

($000, Audited Fiscal Years Ended June 30)

	2007	2008	2009	2010	2011
Property Tax Revenue	103,735	102,505	104,179	106,583	108,759
Charges for Services	5,631	4,982	4,619	3,970	4,365
Intergovernmental Revenue	62,905	96,756	69,492	61,269	62,682
Other Revenue	6,411	5,330	9,549	3,266	7,167
General Fund Revenue	**178,682**	**209,573**	**187,839**	**175,088**	**182,973**
General Government	26,056	28,279	28,564	28,072	29,921
Public Safety	18,608	19,512	20,083	20,323	21,324
Public Works	6,038	6,191	7,128	6,798	6,835
Health and Social Services	2,930	2,903	3,067	2,840	2,743
Culture and Recreation	3,756	3,714	3,877	3,845	3,935
Educational	99,267	133,750	106,176	99,310	101,978
Capital Outlay	0	0	463	418	784
Debt Service	18,064	16,984	14,201	14,399	12,597
Other Expenditures	1,941	0	0	0	0
General Fund Expenditures	**176,660**	**211,333**	**183,559**	**176,005**	**180,117**
General Fund Surplus	2,022	(1,760)	4,280	(917)	2,856
Extraordinary and Special Items	0	0	0	0	0
Transfers In	100	156	714	812	599
Other Sources	0	0	0	36,259	0
Transfers Out	440	414	218	63	10
Other Uses	0	0	0	36,040	0
Net Transfers and Other	(340)	(258)	496	968	589
Net Surplus/(Deficit)	**1,682**	**(2,018)**	**4,776**	**51**	**3,445**
Total Fund Balance	11,494	9,475	14,252	14,303	18,266
As % of Expenditures, Transfers Out, and Other Uses	6.5	4.5	7.8	6.7	10.1
Unreserved Fund Balance	3,644	3,961	13,267	13,321	—
As % of Expenditures, Transfers Out, and Other Uses	2.1	1.9	7.2	6.3	—
Unrestricted Fund Balance[a]	—	—	—	—	17,308
As % of Expenditures, Transfers Out, and Other Uses	—	—	—	—	9.6

[a]Reflects GASB 54 classifications: sum of committed, assigned, and unassigned. Note: Numbers may not add due to rounding.

Credit Profile

Meriden is located in northeast New Haven County, midway between New Haven and Hartford, with a 2011 population of 60,770. The city benefits from a somewhat diverse tax base and stable population.

Mixed Socioeconomic Indicators

The city is home to Midstate Medical Center, a full-service hospital, Meriden Campus — Middlesex Community College, a major mall, and a number of manufacturing firms with diversified product lines. The top 10 taxpayers represent a moderate 8% of net taxable grand list. The city continues to focus on attracting new businesses and reclaiming and rehabilitating existing land and properties for future development.

The city's tax base was revalued on Oct. 1, 2011, as part of the statutorily required five-year revaluation (effective for the fiscal 2013 budget). The city's fiscal 2013 market value is $4.6 billion and has decreased 10.7% from last year. The city prudently increased property tax rates by 4 mils to maintain revenue neutrality. Wealth levels exceed national levels but are below state levels. The city's September 2012 unemployment rate remains unchanged from a year prior at 10.0%, which is higher than both the state's (8.2%) and the nation's (7.6%) rates.

Sound Financial Management

The city's finances are well managed and have produced operating surpluses in fiscal years 2009–2011. General fund revenues have been supported by annual property tax increases offsetting minor shortfalls in nontax revenues and state aid. The city's fiscal 2011 unrestricted general fund balance (the sum of committed, assigned, and unassigned as per GASB 54) totaled $17.3 million, or a sound 9.6% of spending, marginally above the city's recently adopted formal policy of maintaining an unassigned fund balance level equal to the average of one month's budgeted annual spending for the prior audited fiscal year which was equal to 8.33% of spending.

At the end of fiscal 2012, the unrestricted general fund balance totaled $16.6 million, equal to a still-satisfactory 8.6% of spending, and in compliance with the city's fund balance policy. The $0.7 million reduction in fund balance is attributed to the city's increased funding of OPEB over pay-as-you-go spending. The city has also completed negotiations with labor unions for the existing pension plans that will produce a reduction in the OPEB liability as well as stabilize pension contributions. The city will not be providing OPEB benefits for new employees hired after July 1, 2011.

Expectations for Fiscal 2013

The city's fiscal 2013 general fund budget of $183.6 million is up by a slight 1.4% from fiscal 2012. The budget includes a 4% increase in property tax revenues (equal to approximately $4 million) to support increases in public safety, highway improvements, and insurance costs. The budget includes a $1.2 million appropriation of fund balance to once again support increased contributions to its OPEB trust. Beginning in fiscal 2014 management has said that OPEB contributions will become structured into the budget, which Fitch views as a credit positive. Management anticipates fund balance levels to remain at or slightly above policy levels, which Fitch believes is reasonable, based on policy practices and history.

Low Debt Burden

Debt levels remain moderate to low, with debt per capita at $1,025 and debt to market value at 1.2%. GO debt amortizes at an above-average rate, with 65.2% of principal amortized in in 10 years. Debt service as a percentage of general fund expenditures has been declining and was 6.2% in fiscal 2012 compared to 10.7% in 2006, and is close to the enacted goal of 5.0% of spending. The city enacted additional conservative debt policies in February 2010 that it is currently adhering to.

Debt Statistics

($000)

This Issue	10,000
Outstanding Direct Debt – Net of Refunding	101,498
Self-Supporting	(49,231)
Total Overall Debt	62,267
Debt Ratios	
Net Direct Debt Per Capita ($)[a]	1,025
As % of Market Value[b]	1.2
Overall Debt Per Capita ($)[a]	1,025
As % of Market Value[b]	1.2

[a]Population: 60,770 (2011). [b]Market value: $4,640,826,000 (fiscal 2013). Note: Numbers may not add due to rounding.

The city's fiscal years 2013–2018 capital improvement program totals $322 million, with the majority of the projects pertaining to school construction, traffic enhancements, water infrastructure, and engineering improvements. The majority of projects are funded through federal and state grants and user fees. The city anticipates the issuance in February 2013 of approximately $25 million in new debt for school construction and general improvement purposes. The new debt issuance should not heighten the city's debt burden materially, as it plans to adhere to its conservative debt policies and receive expected state and federal support.

Manageable Retiree Costs

The city administers three pension plans for its general, fire, and police employees. In accordance with its policy, it has made 100% of its annual required contributions (ARC) for the past five years for each of these plans. Contributions in fiscal 2012 for all three plans totaled $8.5 million (4.4% of general fund spending). As of July 1, 2010, the general employees' plan was 105.0% funded, the police plan was 62.9% funded, and the fire plan was 68.4% funded. Using Fitch's more conservative 7.0% discount rate assumption, the plans would be funded 94.6%, 56.5%, and 61.6%, respectively. The combined unfunded liability for the police and fire plans totaled $60.1 million. The city has established a defined contribution plan for nonpublic safety employees hired as of July 1, 2011, which is expected to reduce future pension obligations.

The city's fiscal 2012 OPEB contribution was $5.6 million (51% of its ARC), equal to manageable 3% of spending. The unfunded OPEB liability was $99.2 million as of July 1, 2010. Management is projecting a decline in the future OPEB ARCs due to agreed increases in employees' contributions toward future benefits.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.