MOODY'S UPGRADES THE CITY OF MERIDEN (CT) LONG-TERM GENERAL OBLIGATION RATING TO A3 FROM Baa1

TOTAL OF $99 MILLION RATED DEBT OUTSTANDING

Meriden (City of) CT
Municipality
Connecticut

Moody's Rating

Issue Rating

General Obligation Bonds, Issue of 2006 A3
Sale Amount $20,245,000
Expected Sale Date 07/25/06
Rating Description General Obligation Unlimited Tax

General Obligation Bond Anticipation Notes MIG 1
Sale Amount $17,125,000
Expected Sale Date 07/25/06
Rating Description General Obligation Unlimited Tax

NEW YORK, July 21, 2006 -- Moody's Investors Service has assigned an A3 rating to the City of Meriden's $20 million General Obligation Bonds and a MIG 1 rating to the city's $17 million General Obligation Bond Anticipation Notes.
At the same time, Moody's has upgraded the city's long-term general obligation rating to A3 from Baa1, affecting $79 million in outstanding parity debt. The A3 rating reflects the city's improved financial position and Moody's assumption that the city will continue to run operating surpluses and replenish reserves; large tax base with expected growth in the medium-term; and an average debt burden. The short term rating reflects the city's demonstrated history of market access. The bonds and notes will fund a variety of general purpose and school projects.

DEMONSTRATED MARKET ACCESS FOR NOTES

The town remains a frequent borrower in both the long and short term debt markets. Sufficient market access was demonstrated at the last public note sale, dated August 2005 at which the town received five bids all from major financial institutions. This strong level of market access is expected to allow the town to refund the current notes at maturity (08/03/07).

IMPROVED FINANCIAL POSITION EXPECTED TO CONTINUE

Moody's expects the city will continue to benefit from recent improvements in financial operations due to prudent management practices. In fiscal 2004 the city recognized in full its liability for teacher compensation which it had accumulated since the 1970's but had not been budgeted for in the proper fiscal year. This occurred because of a timing difference between teacher pay schedules and the fiscal year end on June 30, and the existence of this unreported liability resulted in an annual qualification to the audit report.
The recognition of this liability in full decreased General Fund balance to $3.5 million (2.2% of revenues) from $9.6 million (6.4% of revenues) the previous year, although it does not represent a cash outflow. The city ended

fiscal 2005 with a $6.6 million surplus due to a one-time residual equity transfer from its bond projects fund ($5 million) and health care benefit savings ($1.6 million). This boosted General Fund balance to a satisfactory $9.6 million (5.7% of revenue) yet undesignated General Fund balance remained level compared to the previous year at a narrow $1.8 million (1.1% of revenues).

The fiscal 2006 budget was balanced with the appropriation of $1.5 million in General Fund balance and increased property tax revenues. The total General Fund balance is estimated to remain level at $9.6 million by fiscal year-end 2006. The undesignated General Fund balance is expected to increase to $3.3 million.

Moving forward, the adopted fiscal 2007 budget includes $6 million in additional expenditures mainly related to salary, pension and health insurance costs which will be met through property tax and intergovernmental revenues. Moody's believes that the town's conservative approach to budgeting, continued positive reserve replenishment and its willingness to increase taxes will result in increased financial flexibility, all key factors in the A3 rating.
In addition, management is in the process of approving a Fund Balance Policy that would require the city to maintain the level of fund balance equal to 10% of the General Fund Budget. The majority of the town's operating revenues are derived from a combination of local property taxes (55% in fiscal 2005) and intergovernmental revenues (35% in 2005).

CITY ENCOURAGING FUTURE GROWTH OPPORTUNITIES WHILE WORKING TO MANAGE A LOW
WEALTH TAX BASE

Moody's expects that the city's sizable $4 billion tax base will continue to exhibit growth as a result of management's efforts to reclaim and redevelop vacant or underutilized properties. Over the last five years assessed value has experienced a modest 4.5% annual growth. This growth is balanced between residential and commercial/industrial development and has resulted in a greater retail presence in a challenged downtown area as well as growth in and around the regional mall. Recent additions to commercial development include Circuit City, Best Buy and Dick's Sporting Goods. The downtown area is benefiting from office and residential redevelopment and continued enrollment growth at the community college. Additional development is expected in the residential sector, with both multi-family condominiums and single family homes in various stages of planning and construction. Further, the city has been selected as the site for a new Metro North train station for which complete construction is scheduled at the earliest by 2010.

A challenge for the city is the continuing decline in resident wealth levels relative to the state. Full value per capita is also below-average at $68,604 compared to a state median of $89,188. Currently, uncertainty surrounds a long term tax agreement the city has with Meriden Gas Turbines LLC. The agreement includes annual payments of around $3 million and, despite the recent uncertainty, city officials report all payments to date have been received on schedule.

ABOVE AVERAGE DEBT POSITION

Moody's anticipates that Meriden's above average debt burden (2.9% overall and 2.6% direct) will remain manageable when considering rapid amortization of principle (90% in 10 years) and growing tax base. The city has a comprehensive five-year Capital Improvement Plan (approximately $330 million) that includes major projects such as the construction of two new high schools. However, given the city's rapid rate of retirement, no anticipated issuance over the next two years and expected state assistance (roughly 76% of approved school projects), this additional debt is expected to be easily managed. In addition, the city expects to actively pursue grant funding and the final amount of issuance over the next 5 years to be much less than the full $330 million.

KEY STATISTICS

2000 population: 58,244

2005 State Equalized Grand List: $4 billion

Full value per capita: $68,604

1999 Median family income as % of state: 81%

1999 Per capita income as % of state: 72%

Post-sale parity debt outstanding: $99 million

Debt burden (adjusted): 2.6%

Payout of Debt (10 years): 90%

2005 General Fund balance: $9.677 million (6.4% of General Fund revenues)

2005 Undesignated General Fund balance: $6.778 million (4.4% of General Fund revenues)

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