

### Summary:

## Meriden, Connecticut; General Obligation

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Credit Profile		
US\$22.33 mil GO bonds iss of 2010 dtd 07/01/2010 due 05/15/2011-2030		
<i>Long Term Rating</i>	AA-/Stable	New
Meriden GO		
<i>Long Term Rating</i>	AA-/Stable	Affirmed

## Rationale

Standard & Poor's Ratings Services assigned its 'AA-' rating, and stable outlook, to Meriden, Conn.'s series 2010 general obligation (GO) bonds and affirmed its 'AA-' rating, with a stable outlook, on the city's existing GO debt.

The rating reflects our view of the city's:

- Diversifying economic base, which continues to develop into an economy that includes health care, services, and distribution from one centered on manufacturing;
- Sizable and diverse property tax base with good income indicators;
- Good financial position and strong management team; and
- Low debt burden with manageable additional capital needs.

The city's full faith and credit GO pledge secures the bonds. Officials plan to use bond proceeds to finance various capital improvements.

Meriden, with a population estimate of 59,589, covers 24 square miles in New Haven County, about midway between New Haven, Conn. and Hartford, Conn. The city's local economy continues to diversify to include more services and distribution. The city has a number of ongoing economic development and redevelopment projects, aided by its proactive, in our view, economic development department. City unemployment has increased over the past two years; it was 10.8% in April 2010, above state and national rates. In our opinion, income levels are good with median household and per capita effective buying income indicators at 99% and 91%, respectively, of national levels.

City officials are projecting a slight operating surplus for fiscal 2010 due to expenditure savings. The city, however, will still use roughly \$924,000 of fund balance for its other postemployment benefits payment. Officials are projecting to end the fiscal year with a general fund balance of about 8% of expenditures, which we consider strong. The city adopted the fiscal 2011 budget with a 2.3% tax increase and a \$1 million fund balance appropriation to fund a portion of a planned \$2 million other postemployment benefits contribution. The budget also includes 100% of the actuarial required contribution for the city's pension plans. Property taxes generate approximately 55% of revenues while state aid, primarily for education, accounts for 37%. Current tax collections remain, in our opinion, strong, averaging 97%. Education is the city's leading operating expense, accounting for 58% of the budget, followed by public safety, which accounts for 11%.

Standard & Poor's considers Meriden's management practices "strong" under its Financial Management Assessment

(FMA) methodology, indicating practices are strong, well embedded, and likely sustainable.

The city's direct debt burden, net of \$52.7 million of self-supporting enterprise debt, is \$1,498 per capita, or 1.7% of market value, which we consider low. Carrying charges accounted for 6.9% of overall expenditures in fiscal 2009. Amortization is also, in our opinion, above average with officials planning to retire 74% of debt over 10 years and 100% over 20 years. The city's capital improvement plan (CIP), covering fiscals 2011–2016, totals \$117.8 million; approximately 65% of the CIP is for enterprise-related projects, which management intends to fund entirely with user fees. We understand the city does not plan to issue additional debt in the near future.

(For additional information, please see the report, published April 16, 2010, on RatingsDirect on the Global Credit Portal.)

## Outlook

The stable outlook reflects Standard & Poor's expectation that the city should be able to continue to maintain its good financial position as it maintains balanced financial operations while funding retirement obligations. The city's low debt burden and rapid amortization are also stabilizing rating factors. Finally, the diversifying local economy and good income levels support the outlook.

## 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 RatingsDirect on the Global Credit Portal subscribers at [www.globalcreditportal.com](http://www.globalcreditportal.com) and RatingsDirect subscribers at [www.ratingsdirect.com](http://www.ratingsdirect.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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