

Meriden, Connecticut

General Obligation Bonds New Issue Report

Ratings

New Issues

General Obligation Bonds,
Issue of 2013

AA-

Outstanding Debt

General Obligation Bonds

AA-

Rating Outlook

Stable

New Issue Details

Sale Information: \$25,480,000 General Obligation Bonds, Issue of 2013, selling competitively on or about Jan. 31.

Security: The bonds are a general obligation of Meriden (the city), backed by its full faith, credit, and unlimited taxing authority.

Purpose: To finance various general purpose, school, sewer, and water projects of the city.

Final Maturity: Feb. 15, 2033.

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.

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.

Related Research

[Fitch Rates Meriden, CT GO Bonds 'AA-'
Outlook Stable \(January 2013\)](#)

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Rating History

Rating	Action	Outlook/ Watch	Date
AA-	Affirmed	Stable	1/23/13
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

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, the Meriden campus of 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 the 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 currently \$4.6 billion and has decreased 10.7% from the prior fiscal year. The city prudently increased property tax rates by four mills to maintain revenue neutrality. Wealth levels exceed national levels but are below the strong state of Connecticut levels. The city’s October 2012 unemployment rate was 10.3%, slightly elevated from 10% a year prior, and higher than both the state (8.6%) and national (7.5%) rates.

Sound Financial Management

The city’s finances are well managed. 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. Results were marginally above the city’s recently adopted formal policy calling for the average of one month’s budgeted spending from the prior fiscal year (8.3% for fiscal 2011).

Fiscal 2012 posted a small deficit (0.5% of spending) after three years of operating surpluses. This was due primarily to the city’s increased OPEB funding, to 50.7% of the annually required contribution from 29.6% in fiscal 2011. Fitch Ratings views the increased contribution as a credit positive in conjunction with the city’s stated commitment to adhere to its fund balance policy.

Annual property tax increases have supported revenue growth, offsetting minor shortfalls in nontax revenues and state aid. Expenditure performance has matched revenues, declining 2.2% on average between fiscal years 2008 and 2012, reflecting the city’s flexibility in adjusting spending. The 7.3% increase in fiscal 2012 spending was one time in nature, driven by employee and education costs related to special revenue funds (the American Recovery and Reinvestment Act). The city’s fiscal 2012 unrestricted general fund balance totaled \$16.6 million, equal to a sound 8.6% of spending and in compliance with the city’s fund balance policy.

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.

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	2012
Property Tax Revenue	103,735	102,505	104,179	106,583	108,759	109,910
Charges for Services	5,631	4,982	4,619	3,970	4,365	3,892
Intergovernmental Revenue	62,905	96,756	69,492	61,269	62,682	74,931
Other Revenue	6,411	5,330	9,549	3,266	7,167	3,114
General Fund Revenue	178,682	209,573	187,839	175,088	182,973	191,847
General Government	26,056	28,279	28,564	28,072	29,921	34,352
Public Safety Expenditures	18,608	19,512	20,083	20,323	21,324	21,209
Public Works Expenditures	6,038	6,191	7,128	6,798	6,835	7,017
Health and Social Services Expenditures	2,930	2,903	3,067	2,840	2,743	2,806
Culture and Recreation Expenditures	3,756	3,714	3,877	3,845	3,935	4,020
Educational Expenditures	99,267	133,750	106,176	99,310	101,978	111,434
Capital Outlay Expenditures	0	0	463	418	784	242
Debt Service Expenditures	18,064	16,984	14,201	14,399	12,597	12,196
Other Expenditures	1,941	0	0	0	0	0
General Fund Expenditures	176,660	211,333	183,559	176,005	180,117	193,276
General Fund Surplus	2,022	(1,760)	4,280	(917)	2,856	(1,429)
Extraordinary and Special Items	0	0	0	0	0	0
Transfers In	100	156	714	812	599	435
Other Sources	0	0	0	36,259	0	0
Transfers Out	440	414	218	63	10	15
Other Uses	0	0	0	36,040	0	0
Other Net Adjustments	0	0	0	0	0	0
Net Transfers and Other	(340)	(258)	496	968	589	420
Net Surplus/(Deficit)	1,682	(2,018)	4,776	51	3,445	(1,009)
Total Fund Balance	11,494	9,475	14,252	14,303	18,266	17,257
As % of Expenditures, Transfers Out, and Other Uses	6.5	4.5	7.8	6.7	10.1	8.9
Unreserved Fund Balance ^a	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 ^b	—	—	—	—	17,308	16,603
As % of Expenditures, Transfers Out, and Other Uses	—	—	—	—	9.6	8.6

^aPre-GASB 54. ^bReflects GASB 54 classifications: sum of committed, assigned, and unassigned. Note: Numbers may not add due to rounding.

Debt Levels Up But Expected to Remain Low

Debt levels remain low after the current issuance, with debt per capita at \$1,426 and debt to full market value at 1.9%. GO debt amortizes at an above-average rate, with 60.8% of principal amortized in 10 years. Including the new issue, debt service as a percentage of general fund expenditures will approximate 8.4% of the fiscal 2013 budget compared to 6.2% in fiscal 2012, and is above the enacted goal of 5.0% of spending. While Fitch views noncompliance with policies as a credit negative, the debt service burden remains affordable and the city continues to adhere overall to its conservative debt policies. Fitch does not expect debt levels to rise following the current issue, as the remaining \$322 million, five-year capital plan is largely funded through grants and user fees.

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% funded, the police plan was 62.9% funded, and the fire plan was 68.4% funded. Using Fitch's more conservative 7% 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 nonsafety 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 a 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 city will not be providing OPEB benefits for new employees hired after July 2009.

Debt Statistics

(\$000)	
This Issue	25,480
Outstanding Direct Debt — Net of Refunding	111,483
Self-Supporting	50,286
Total Net Direct Debt	86,677
Overlapping Debt	0
Total Overall Debt	86,677
Debt Ratios	
Net Direct Debt Per Capita (\$) ^a	1,426
As % of Full Market Value ^b	1.9
Overall Debt Per Capita (\$) ^a	1,426
As % of Full Market Value ^b	1.9

^aPopulation: 60,770 (2011). ^bMarket value: \$4,640,825,714 (fiscal 2013). Note: Numbers may not add due to rounding.

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