

Public Finance

Tax Supported / U.S.A.

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)

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.

Analysts

Leora Lipton +1 212 908-0507 leora.lipton@fitchratings.com

Kevin Dolan +1 212 908-0538 kevin.dolan@fitchratings.com



Rating History

		Outlook/	
Rating	Action	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

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, assign rounding.	ned, and unassi	gned. Note:	Numbers	may not ad	dd due to

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

Related Criteria

(August 2012)

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



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

^aPopulation: 60,770 (2011). ^bMarket value: \$4,640,826,000 (fiscal 2013). Note: Numbers may not add due to rounding.

Public Finance



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.

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS. IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE.

Copyright © 2012 by Fitch, Inc., Fitch Ratings Ltd. and its subsidiaries. One State Street Plaza, NY, NY 10004.Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion is based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at anytime for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.