Research Update:

Meriden, CT Series 2026 General Obligation Bonds Assigned 'AA' Rating; Outlook Stable

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Overview

- S&P Global Ratings assigned its 'AA' long-term rating to Meriden, Connecticut's approximately $58.34 million series 2026 general obligation (GO) bonds.
- At the same time, S&P Global Ratings affirmed its 'AA' long-term rating and underlying rating (SPUR) on the city's GO bonds outstanding.
- The outlook is stable.

Rationale

Security

The city's full-faith-and-credit pledge and agreement to levy ad valorem property taxes, without limitation as to rate or amount, secure the bonds. Series 2026 bond proceeds will fund various capital projects.

Credit highlights

The long-term rating reflects Meriden's stable local economy, consistently positive operating results leading to incremental annual reserve growth, and well-embedded financial management policies. Economic metrics, particularly local incomes, total available fund balance below that of higher-rated peers, and an elevated debt burden continue to limit upward rating potential. However, ongoing economic development should support revenue growth sufficient to maintain balance, and manageable fixed costs provide some budgetary flexibility. Management expects large school capital projects to be heavily supported by state reimbursements and future debt issuances are unlikely to materially alter the debt profile.

Meriden has produced an audited operating surplus in nine of the ten most recent years, through fiscal year-end (June 30) 2025. Management projects another surplus for fiscal year 2026, roughly similar in size to 2025. The city's consistent performance is due to both a predictable revenue environment and to conservative budgeting practices designed to generate additional reserves at year-end. To this end, the city has made efforts to settle its collective bargaining agreements, with many settled through 2030, to provide expenditure predictability. A newly developed multiyear financial plan is helping management project potential pressure points in future years, helping to refine budgets to accommodate future needs.

However, despite the consistent financial performance, available reserves continue to lag those of both comparably rated and higher-rated state peers and, absent significant surpluses that we believe are unlikely to occur, reserves will remain relatively low. The city's demonstrated ability to generally produce surpluses of between .05% and 1.5% of revenue reflects the underlying stability and management's ability to develop and execute budgets grounded in realistic assumptions, which we believe offsets the relative reserve weakness and provides rating stability.

The rating further reflects our view of the following factors:

- The city's local economy is largely residential, although some commercial and industrial property development has expanded the non-residential component. Residents have access to employment in the broader Hartford metropolitan area. While they have been trending upward recently, we expect local per capita and household incomes will remain below county and national averages in the near term. We believe a recently emerging trend of declining property tax collection rates may reflect the relatively limited income levels and could limit revenue-raising flexibility, particularly in an economic downturn.
- The city's long-term financial planning is more robust than that of many state peers and is likely to lead to continued financial stability. Conservative budgeting practices include the use of historical results to construct revenue and expenditure assumptions, and management has a demonstrated ability to develop realistic assumptions. The new three-year financial projection applies a growth factor to the current budgeted figures, but future years are adjusted for known contractual changes, expected growth, and unknown changes that could pressure the budget. A five-year capital improvement plan is updated annually and identifies project costs, which further supports forward-looking planning. Quarterly budget-to-actual reports to the city council allow for timely adjustments. A reserve policy requires the city to maintain a minimum fund balance of one month of annual general fund expenditures in reserve, and a formal debt management policy sets guidelines for a variety of metrics.
- We expect financial performance will remain stable, with small annual surpluses resulting in reserves relative to the budget remaining roughly consistent, with some incremental growth. Local property taxes account for about 60% of audited operating revenue, providing a predictable primary revenue source. In response to a slight downtick in collection rates, management reduced the budgeted collection rate, reflecting its proactive budgeting.
- Fixed costs are manageable and additional capital spending is unlikely to result in a significant deterioration in the debt profile. The city's planned school projects in aggregate approach $150 million, but state aid on the individual projects is tentatively projected between 75%-90%, depending on the project, limiting pressure on the city's debt and financial profiles. Non-school debt may incrementally weaken metrics but we do not expect material change in the near term.
- Meriden's retirement liabilities may increasingly pressure the budget, with high pension and other postemployment benefits (OPEB) liabilities and low pension funded ratios. Pension contributions have been sufficient to maintain funding, but have not resulted in material funding progress and are unlikely to in the near term.
- Although physical risks are relevant for the local government sector, we consider Meriden's exposure to natural hazards low compared with that of national peers and in a nominal sense, and therefore not a material factor in our credit analysis. The city faces localized flooding,

primarily related to Harbor Brook, which runs through the center of the city. Meriden has worked on a variety of flood control projects, supported by funding from the state and federal governments.

- A generally stable state operating environment. For more information on our institutional framework assessment for Connecticut municipalities, see "Institutional Framework Assessment: Connecticut Local Governments," Sept. 9, 2024

Outlook

The stable outlook reflects our view of Meriden's strong management practices and policies that will likely continue supporting positive budgetary performance. We do not expect to change the rating during our two-year horizon.

Downside scenario

We could lower the rating if budgetary pressures arises, requiring the city to spend down reserves.

Upside scenario

We could take a positive rating action if the city's economic profile were to materially improve, particularly in the form of higher income levels, and if available reserves increase to a level more commensurate with those of higher-rated peers, all other factors remaining equal.

Meriden, Connecticut--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.43
Economy	2.5
Financial performance	2
Reserves and liquidity	2
Management	1.65
Debt and liabilities	4.00

Meriden, Connecticut--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	--	--	102	103
County PCPI % of U.S.	--	--	101	99
Market value ($000s)	--	5,810,211	5,837,600	5,752,826
Market value per capita ($)	--	96,395	96,259	95,274
Top 10 taxpayers % of taxable value	--	7.7	7.6	7.6
County unemployment rate (%)	--	4.1	3.3	3.2
Local median household EBI % of U.S.	--	91	90	88
Local per capita EBI % of U.S.	--	89	87	86
Local population	--	60,275	60,645	60,382

Meriden, Connecticut--key credit metrics

	Most recent	2025	2024	2023
Financial performance				
Operating fund revenues ($000s)	--	250,480	246,240	235,776
Operating fund expenditures ($000s)	--	251,368	242,417	232,325
Net transfers and other adjustments ($000s)	--	2,894	(515)	473
Operating result ($000s)	--	2,006	3,308	3,924
Operating result % of revenues	--	0.8	1.3	1.7
Operating result three-year average %	--	1.3	1.2	1.5
Reserves and liquidity				
Available reserves % of operating revenues	--	13.0	12.2	11.3
Available reserves ($000s)	--	32,518	30,016	26,669
Debt and liabilities				
Debt service cost % of revenues	--	4.7	5.0	4.8
Net direct debt per capita ($)	4,647	4,073	3,218	3,465
Net direct debt ($000s)	280,086	245,486	195,183	209,219
Direct debt 10-year amortization (%)	65	73	54	--
Pension and OPEB cost % of revenues	--	7.0	7.0	7.0
NPLs per capita ($)	--	3,399	3,432	3,519
Combined NPLs ($000s)	--	204,875	208,119	212,477

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List	
New Issue Ratings	
US$58.340 mil GO bnds ser 2026 due 10/1/2046	
Long Term Rating	AA/Stable
Ratings Affirmed	
Local Government	
Meriden, CT Unlimited Tax General Obligation	AA/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.