

Derby's Bond Rating Upgraded Because Of Solid Financial Management

BY **EUGENE DRISCOLL** | AUG 11, 2015 5:59 PM

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Tax board chairman Jim Butler in a 2012 file photo. The tax board supervises the city's annual spending plan. The City of Derby's bond credit rating was upgraded Monday, a sign that the city's finances are in good shape.

The city's bond rating is now AA.

It had been AA-.

The new rating puts it two positions from AAA, the highest rating possible.

"The toughest financial analysts in the world have studied us, dissected us, and have determined that we have earned an upgrade in our bond rating," City Treasurer Keith McLiverty said in a prepared statement.

The upgrade comes at a time when the city will be borrowing \$31.2 million to fund improvements and upgrades to the sewer infrastructure.

That borrowing was approved by voters in November 2014.

The repairs and upgrades mean residents will see steep increases in their Water Pollution Control Authority bills which are set to arrive at the end of this month.

But the new bond rating means the city will pay less in interest on that project, and the city will save money by refinancing portions of its existing debt. And it'll be cheaper to bond going forward.

The report from Standard and Poor's Rating Service says the rating upgrade is "due to the city's strong performance in the past five years, demonstrating stronger budgetary planning and overall management practices."

McLiverty said the upgrade was particularly satisfying because Derby has managed to stay on stable financial footing during a national recession.

"This is a big upgrade in that we came out of the worst financial times in modern history stronger than when we went into it in 2008," he said.

In Derby, finances are supervised by the city's Board of Apportionment and Taxation, the treasurer and the city's finance director, a spot that is currently vacant.

Neither the Board of Aldermen nor the mayor has direct control over budgeting, but the mayor's office has been playing an increasingly influential role in the past five years by introducing a "mayor's budget" during the annual budget process.

Mayor Anita Dugatto attributed the bond rating upgrade to McLiverty's "strong fiscal leadership."

"The bond upgrade is a true testament to the dedication and resourcefulness of our city employees, elected officials, and volunteers," Dugatto said in a prepared statement.

The report calls Derby's economy "strong," benefiting from good financial policies and practices.

The report also speaks, in general, of positive economic development in Derby.

"Derby has seen a recent uptick in economic development, and we note building permit activity has improved since the recession," the report from the rating service states.

"The city has benefited from a stable tax rate catering to new development. Businesses have opened over the past several years, creating new jobs and also improving taxable values," the report states.

The report also notes Derby's debt is relatively low and the city has healthy reserves and cash on hand.

Derby's finances look good for the next two years assuming it follows sound financial management, the report states.

"We believe the city's ongoing developments should provide stability to its local tax base, which contributes a significant portion of tax revenue, and should allow the city to maintain a stable financial position during the two year outlook provided," the rating agency concludes.

Richard Dziekan, a Republican member of the city's tax board running to unseat Dugatto, said the bond rating increase is good news, it doesn't "help much to put food on the table."

"We are glad of the bond upgrade again," Dziekan said in an email. "But we know its becasuse of the good conservative economic policies that Derby has practiced for the past decade."

But he's worried local Democrats will bring Gov. Malloy-like policies to Derby.

"If this administration models Derby's polices on Gov. Malloy's practices and continues to support his tax hikes then it will be sure to fall," he said. "It's becoming harder and harder to survive in this City and State and we need a mayor who understands that."

Standard and Poors, along with Moody's Investment Service, are the largest bond credit rating agencies in the U.S. Standard and Poors previously upgraded Derby's bond credit rating in May 2009.

Moody's confirmed Derby's rating of Aa3, a solid rating, back in 2012.

The bond rating upgrade is even more impressive given Derby's not a wealthy city. It's densely populated, with pockets of poverty and most of the city has been developed. Yet residents pay their taxes in the 96 to 97 percent range.

In 2012, Moody's said Derby was challenged by "wealth levels below state and nation averages" and "rising expenditure pressures." The city's strong points in 2012 included a moderate tax base and adequate general fund reserves