

Global Credit Research - 18 Mar 1992

REPORT DATE: March 18, 1992

COLCHESTER, CONNECTICUT

NEW ISSUE: General Obligation/Special Tax
SALE AMOUNT: \$10,000,000; General Obligation Bonds, Issue of 1992
SALE DATE: For bids March 18

MOODY'S RATING: A

----- OPINION -----
Lower-than-anticipated revenues in fiscal 1991 contributed to a decline in General Fund balance and a weakening of financial position. Revenue estimates in the town's 1992 budget are more conservative which should produce more favorable results for fiscal 1992. The projected General Fund balance for fiscal 1992, however, will still be modest. Although dependence on state aid is significant, preliminary 1993 funding levels do not indicate a large decrease. This small residential town has grown rapidly over the last decade, forcing expansion and renovation of school facilities. Significant state aid reimbursement for school purpose debt will mitigate the financial impact on the town. Efforts to address budget shortfalls and potential for further tax base expansion are recognized.

----- KEY FACTS -----

Debt Burden:	4.7%/ [1]3.0%
Payout, Ten Years:	55.6%
F.V. per Capita, 1991:	\$66,757
Population Change, 1980-90:	41.5%
Town per Capita Income, 1987, as % of State per Capita Income:	89.1%
Fund Balance as % of General Fund Revenues, FY 1990:	6.0%
FY 1991:	1.0%
State Aid as % of Revenues, FY 1991:	39.4%
Unemployment,	
1990:	5.8%
12/90:	5.4%
12/91:	7.7%
Moody's Ratings,	
General Obligation Bonds Dated 12/15/87, 3/15/83, and 9/15/91,	
MBIA:	Aaa
3/15/89 and 6/15/90, AMBAC:	Aaa
9/15/88, Insurance Maturity, 1999-2008, FGIC:	Aaa

[1]After state aid.

----- UPDATE -----
Since our last report dated September 6, 1991, audited financial statements for fiscal 1991 have been received indicating a significant operating deficit. The 1991 deficit resulted from lower-than-anticipated revenues. Officials are projecting a small operating surplus for fiscal 1992, based on more conservative budgeting. The current issue is the second phase of borrowing for an ongoing high school construction project.

----- ANALYSIS -----

Lower-than-anticipated revenues in the last two fiscal years have contributed to a decline in General Fund balance and a weakening of financial position. State aid revenue, property tax collections, fees, and investment income were lower-than-anticipated in fiscal 1990 and 1991. General Fund balance which was \$1.1 million at June 30, 1989 or 8.3% of revenues decreased to \$169,000 or 1.0% of revenues at June 30, 1992. The revenue projections in the 1992 budget are more conservative than in previous years. The General Fund balance for year-end 1992 should show modest improvement with a small operating surplus projected by officials. Although dependence on state aid is significant (39.4% of operating revenues), preliminary funding levels for 1993 do not indicate a large decrease. The financial impact of recent borrowing should be mitigated by significant reimbursement for debt service costs. The town has received approval for grants of about 68% of debt service costs over the life of the bonds. Debt service expenditures net school construction grants receivable will claim 12-14% of operating expenditures over the next two years.

Most of the current proceeds, (\$9.5 million) represent the second phase of borrowing for construction of a new high school. The balance of \$500,000 will finance road improvements. After this offering the town will have \$9.5 million in authorized unissued debt. Most of the authorization (\$8.2 million) is for the final phase of the school project, and will be issued in the Spring of 1993. Effective July 1, 1990, the Borough of Colchester which had been a separate municipal entity was consolidated with the town. The town assumed the contractual obligations of the borough's debt as specified under Connecticut General Statutes 7-198. Reportedly, all of the former borough's debt is assumed by the town as FmHA loans. The former borough's debt are now general obligations of the town.

Town-wide residential expansion contributed to significant tax base growth in the 1980s. Population increased 41.5% from 1980-90. Although the pace of the expansion has slowed with the recession, the town's strategic location and availability of land should spur growth in a stronger economy. A moratorium on water hookups from 1988-91 delayed some commercial projects. Residential growth was not greatly affected by the moratorium because many homes use private wells. The local economy consists of light manufacturing, some agriculture and service oriented businesses. The local impact of proposed layoffs at Electric Boat's submarine manufacturing facility in Groton cannot be determined at this time. Many residents work in the Norwich, Hartford, and the Groton/New London areas. Wealth and housing indices are below state norms and per capita income, though showing some growth, remains below the state's 1987 figure.

----- DETAILS OF BOND SALE -----

Legal Name of Issuer: Town of Colchester, Connecticut.

Security: G.O., ULT.

Date of Bonds: April 1, 1992.

Denomination: \$5,000.

Annual Maturities 4/1

Year	Amount	Year	Amount
1994-2011	\$535	2012	\$370

Interest Payable: Beginning October 1, 1992, and semiannually thereafter.

Call Features: Bonds maturing on or after April 1, 2002, beginning April 1, 2002 at 102%, declining to par.

Registrar: The Depository Trust Company, New York.

Paying Agent: The Depository Trust Company, New York.

Delivery: On or about April 1.

Bond Counsel: Day Berry & Howard, Hartford.

Financial Officer: Margaret G. Wasicki, Finance Director.

Advisors: Fleet/Norstar Securities, Hartford.

Auditor: Scully & Wolf, Glastonbury (FY 1991).

----- LASTSALE -----

Date of Sale: September 5, 1991.

Amount: \$4,000,000

----- RATING HISTORY -----

April 1978:	A
February 1978:	Withdrawn
September 1970:	A
November 1968:	Withdrawn
June 1961:	A

----- ANALYST -----

William Hogan
(212) 553-4553

----- DEBT FACTORS -----

Debt Statement as of 3/15/92 (\$000)

	Amount
Bonded debt outstanding	\$22,077
Current offering (3/18/92)	10,000
Gross bonded debt	\$32,077
BANs (due 9/4/92)	500
Farmers Home Loan[1]	3,010
Gross direct debt	\$35,587
Less:	
Self- supporting water bonds	925
Direct net debt	\$34,662
Overlapping debt	0
Overall net debt	\$34,662
After state aid[2]	\$21,965

[1]Includes \$2,510,000 of bonds issued by the former Borough of Colchester.

[2]State school building grants on principal of outstanding and currently offered school bonds total \$8,211,897.

For additional information please refer to Moody's 1991 Municipal and Government Manual, page 1155.

Security: G.O., ULT.

Defaults: No record found.

Debt Ratios

Net Debt	Per Capita	Median[1]	% F.V.	Median (%) [1]
Direct	\$3,157	\$ 555	4.7	1.3
Overall	3,157	1,071	4.7	2.7
[2]	2,000	-	3.0	-

[1]Moody's 1991 medians for cities with population from 10,000 to 24,999.

[2]Overall, after state aid.

Rate of Retirement[1]

Principal Amount Due	Amount (\$000)	% of Total
	\$	
In 5 years	9,610	27.4
In 10 years	19,518	55.6

[1]Includes FmHA loans.

Use of Proceeds: Construction of a new high school, and financing for road repairs and improvements.

Structure: Slightly above average rate of bond principal retirement.

CIP/Future Borrowing: \$9.5 million remains authorized and unissued; \$8.2 million for the new high school, \$765,800 for water purposes and \$500,000 for road construction. Officials anticipate issuing the majority of authorized debt in 1993. District voters recently rescinded the authorization to borrow \$3.5 million for a new pool.

----- ADMINISTRATIVE FACTORS -----

Form of Government: Town meeting; three-member board of selectmen.

Public Employees: 305, includes 225 board of education employees; majority of all contracts in place through 1993 or 1994; however, town clerical contract is still under negotiation. This is the first contract for town clerical.

Pensions: Teachers participate in State Teachers' Retirement Plan.

Legislation: As of July 1, 1990 the Borough of Colchester, which is located within the center of the town's land area, consolidated with the town forming one governmental unit.

School District Data:

Trend of Enrollment: Projected to continue increasing through 1995; current enrollment 1,938; elementary grade enrollments have been increasing steadily since 1982.

Capacity: Currently 1,890; less portable classes operating at 102.5% of total plant capacity; after construction of new high school, plant capacity will increase to 2,795; restructuring will permit more efficient use of all school buildings. School is expected to open for Fall 1993.

----- PROPERTY VALUATION AND TAX DATA -----

Colchester (Town)

Fiscal Year	A.V. (000)	% Change	Tax Rate/ \$1,000 A.V.	Levy (000)	% Collected	
					Current	Total[2]
1989	\$205,405	10.2	\$32.44	\$6,859	94.9	99.1
1990	228,232	11.3	35.31	8,194	94.0	97.8
1991	244,118	7.0	[1]37.81	9,188	93.6	95.5
1992	250,378	2.6	39.34	9,839	In process	In process

[1]Represents the mill rate for the consolidated Town and Borough of Colchester effective July 1, 1990.

[2]As of February 25, 1992.

1991 Full Valuation: \$732,990,124

1991 Equalization Rate:	34.2%
Average Annual Growth F.V., 1988-91:	15.8%
1991 F.V. per Capita:	\$66,757

Largest Taxpayers	Business	1992 A.V. (\$000)
Connecticut Light & Power	Utility	\$3,522
S & S Leather	Arts and crafts manufacturer	3,451
Strauss Associates	Convalescent home	2,787
City of Norwich	Municipal government (water properties)	1,842
Julius Balaban	Apartment and real estate	1,741
Edward Sharr, Sr.	Shopping plaza	1,345
REB Industries	Manufacturing plastic goods	1,289
Linda Foley	Convalescent home	1,263

----- ECONOMIC FACTORS -----

Population: Colchester (Town)

Year	Population	% Change
1960	4,648	-
1970	6,603	42.1
1980	7,761	17.5
1990	10,980	41.5

Source: U.S. Census Bureau.

Location: 25 miles southeast of Hartford; bordered by Marlborough, Hebron, East Haddam, Salem, Lebanon and East Hampton.

Area: 46.70 square miles

Population Density: 235 per square mile

Per Capita Income

	1979	1987	% Change
Colchester	\$7,271	\$14,339	97.2
New London County	7,307	13,666	87.0
State of Connecticut	8,511	16,094	89.1
Colchester as % of State	85.4	89.1	-

Population and Housing Characteristics: Colchester

	Town		State		U.S.	
	1980	1990	1980	1990	1980	1990
Population:						
Median age	29.6	32.4	32.0	34.4	30.0	32.9
% school age	22.4	16.9	20.5	15.9	20.9	18.2
% working age	60.7	63.9	61.8	63.6	60.7	61.7
% 65 and over	9.1	10.0	11.7	13.6	11.3	12.6
No. persons/household	2.94	2.76	2.76	2.59	2.75	2.63
Income:						
Median family income	\$22,152	NA	\$23,151	NA	\$19,908	NA
% below poverty level	4.10	NA	8.00	NA	12.5	NA
Per capita income	\$7,271	NA	\$8,511	NA	\$7,313	NA
Housing:						
% owner occupied	71.51	78.2	63.93	65.6	64.4	64.2
% built before 1939	27.1	NA	32.0	NA	26.1	NA
% built since last census	29.9	NA	18.1	NA	25.9	NA
Owner occupied median value	\$56,500	\$160,900	\$67,400	\$177,800	\$47,300	\$79,100

Median gross rent	\$277	\$534	\$261	\$510	\$243	NA
-------------------	-------	-------	-------	-------	-------	----

Source: U.S. Census Bureau.

Labor Market Characteristics: Colchester Town

Year	Labor Force	Total Employment	% Unemployed		
			Town	State	U.S.
1981[1]	4,359	4,057	6.9	6.2	7.6
1982[1]	4,334	4,040	6.8	6.9	9.7
1983[1]	4,447	4,178	6.0	6.0	9.6
1984[1]	4,578	4,380	4.3	4.6	7.5
1985[1]	4,476	4,271	4.6	4.9	7.2
1986	4,845	4,691	3.2	3.8	7.0
1987	5,014	4,863	3.0	3.3	6.2
1988	5,257	5,099	3.0	3.0	5.5
1989	5,557	5,380	3.2	3.7	5.3
1990	5,763	5,427	5.8	5.1	5.5
12/90[2]	5,688	5,379	5.4	4.7	5.9
12/91[2]	5,675	5,240	7.7	6.8	6.8

Source: Department of Labor, Bureau of Labor Statistics.

[1]Data not consistent with preceding years due to changes in the benchmarking process.

[2]Monthly data not seasonally adjusted.

Largest Employers

	Employees 1992		Employees 1992
Town of Colchester	305	Colchester Health Care	125
S & S Worldwide	200	Liberty Hall Nursing	
Tri-Town Food, Inc.	175	Center	80
		Alpha-Q	75

Source: Official statement.

FINANCIAL FACTORS -----

Operating Funds Financial Performance (fiscal years ended 6/30 \$ 000) [1]

	1988	1989	1990	1991	% Change 1990-91
Revenues	\$11,512	\$13,315	\$15,433	\$17,202	11.5
Expenditures	12,067	13,009	15,610	18,221	15.1
Operating surplus (deficit) [2]	(555)	306	(176)	(763)	-

[1]General and Debt Service Funds (modified accrual method of accounting).

[2]General Fund only.

1991 Sources of
Revenue

	%
Property taxes	53.7
State aid	39.4
Local revenues	4.4
Investment income	0.7

1991 Items of
Expenditure

	%
Education	62.6
Debt service	12.7

Public works	5.3
Health and welfare	5.1
General government	4.5
Public safety	2.2

General Fund Financial Position (fiscal years ended 6/30 \$ 000)

	1988	1989	1990	1991
Cash and investments	\$1,354	\$1,584	\$1,565	\$501
Operating loans	-	-	-	-
Other current liabilities[1]	812	621	824	818
Year-end cash surplus (deficit)	\$ 542	\$ 963	\$ 741	(\$317)
Receivables[1]	\$ 261	\$ 146	\$ 192	\$487
Fund balance[2]	\$ 803	\$1,109	\$ 932	\$169
Undesignated fund balance	281	909	732	169

[1]Net of deferred revenues.

[2]General Fund balance for fiscal year ending June 30, 1992 projected to be \$300,000 to \$400,000.

2081H01



© 2011 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S ("MIS") CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR

MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody's.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001.

Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. ("MJKK") are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In such a case, "MIS" in the foregoing statements shall be deemed to be replaced with "MJKK". MJKK is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness or a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.