

Global Credit Research - 08 May 1997

Colchester (Town of) CT

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Moody's Rating

Moody's assigns an A3 rating to the recent refunding issue of Colchester, Connecticut

Opinion

In conjunction with a recent sale of general obligation refunding bonds, Moody's has reviewed and confirmed the A3 rating on Colchester's general obligation debt. The rating reflects the following key credit factors:

Modest Debt Position Mitigated By State Aid Reimbursement.

Debt burden (currently at 3%), given continued growth in taxable values is modest. Existence of state school construction aid mitigates the impact of debt service on annual operations. Debt retirement is aggressive at 71.1%. There are no plans for additional borrowing in the foreseeable future, as ongoing capital needs will be funded with grants and pay as you go budget appropriations.

Growth In Taxable Values Continues at an Above Average Rate.

While there remains a substantial amount of undeveloped land, Colchester continues to add taxable value at a rapid pace. Growth in all sectors primarily residential and commercial is expected to continue in the 2%-3% range. Town officials are revisiting planning and zoning ordinances and are focusing economic development efforts on the downtown and several commercial and industrial sites. Socioeconomic profiles measured by housing and income and income indices is below high state levels. Unemployment remains stable,

Stable Trend Of Well Maintained Finances.

Conservative budgeting and prudent use of pay as you go financing support a stable and highly liquid fund balance. The fund balance position offer some flexibility to town officials in budgetary and mill rate decisions. Recent personnel changes and the institution of tighter controls have increased property tax collections. The undesignated fund balance has been in the 4.5% to 7.1% range over the past several years. Town officials consider a level in the range of 5%-7% of budgeted revenues to be an acceptable level of reserves.

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