

**Global Credit Research - 07 Jan 1993**

REPORT DATE: January 7, 1993

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COLCHESTER, CONNECTICUT

NEW ISSUE UPDATE: General Obligation/Special Tax

MOODY'S RATING: A

----- CREDIT COMMENT -----

This small residential town, in the south-central part of the state, has grown rapidly over the past decade, forcing expansion and renovation of school facilities. As a result, debt ratios are above-average; however, significant state aid reimbursement for school purpose debt will mitigate the financial impact. A conservative fiscal 1992 budget has contributed to favorable year-end results, restoring General Fund balance to an adequate level. Officials expect operations for fiscal 1993 to produce balanced year-end results. There are no additional borrowing plans at this time.

This update supplements the Credit Comment published in Moody's Rating Recap on December 21. The update was prepared in conjunction with the January 5, 1993 sale of \$8,819,000 General Obligation Bonds, Issue of 1993.

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

General Obligation Bonds Outstanding:	\$39,848,000
Debt Burden:	5.8%/[1]3.5%
Payout, Ten Years:	57.1%
F.V. per Capita, 1992:	\$65,662
Population Change, 1980-90:	41.5%
Town per Capita Income as % of State per Capita Income, 1990:	84.9%
Fund Balance as % of General Fund Revenues,	
FY 1990:	6.0%
FY 1991:	1.0%
FY 1992:	[2]4.1%
State Aid as % of Revenues, FY 1991:	39.4%
Unemployment, 9/92,	
Town:	7.6%
State:	7.2%
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, and 4/1/92, FGIC:	Aaa

[1]After state aid.

[2]From preliminary draft of 1992 audit.

----- ANALYSIS -----

Most of the current proceeds (\$8.2 million) represent the third and final phase of borrowing for construction of a new high school. The balance of \$600,000 will finance road improvements and a new municipal swimming pool. Officials anticipate no additional borrowing plans at this time. 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. Officials report all of the former borough's debt assumed by the town are FmHA loans and are self-supporting with water fees and sewer assessments.

A conservative fiscal 1992 budget has contributed to favorable year-end operating results, restoring General Fund balance to an adequate level. This follows two fiscal years where lower-than-anticipated revenue estimates resulted in a decline in General Fund balance and a weakening of financial position. Operations for fiscal 1993 are expected to produce balanced results, maintaining adequate fiscal margins. Property taxes are the primary source of revenue, and collections are adequate. The financial impact of recent borrowings should be mitigated by significant state reimbursement for debt service costs. The town has received approved grants for about 68% of school borrowing costs on the ongoing school project. Debt service expenditures net school construction grants receivable will claim 12 to 14% of operating expenditures over the next two years.

Town-wide residential expansion contributed to significant tax base growth in the 1980s. Population increased 41.5% from 1980 to 1990. 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 to 1991 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, Groton/New London areas. Wealth and housing indices are below state norms, and per capita income remains below the state's 1990 figure.

----- SALE INFORMATION -----

Legal Name of Issuer: Town of Colchester, Connecticut.

Security: General obligation, unlimited tax.

Date of Bonds: January 15, 1992.

Use of Proceeds: To fund BANs and provide new money primarily for the final phase of a school construction project, as well as road repairs and a municipal swimming pool.

Key Contacts:

Financial Officer: Margaret G. Wasicki, Finance Director, (203) 537-7225.  
Financial Advisor: Teri Larsen, Fleet Bank, Hartford, (203) 244-5731.  
Auditor: Scully & Wolf, Glastonbury (FY 1991), (203) 659-0575.  
Bond Counsel: Day, Berry & Howard, Hartford, (203) 275-0100.

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

April 1978:	A
February 1978:	[1]Withdrawn
September 1970:	A
November 1968:	[1]Withdrawn
June 1961:	A
[1]Insufficient information.	

----- ANALYST -----

Mark R. Neggers  
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----- DEBT FACTORS -----

Debt Statement as of 12/18/92 (\$000)

	Amount
Bonded debt outstanding	\$31,029

Current offering (1/5/93)	8,819
Gross bonded debt	\$39,848
BANs (due 1/93)	3,110
Farmers Home Loan[1]	3,509
Gross direct debt	\$46,467
Less:	
BANs funded with this issue	3,110
Self-supporting water bonds	1,424
Direct net debt	\$41,933
Overlapping debt	0
Overall net debt	\$41,933
After state aid[2]	\$25,489

[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 \$16,444,418.

For additional information please refer to Moody's 1992 Municipal and Government Manual, page 2162.

Defaults: No record found.

#### Debt Ratios

Net Debt	Per Capita	Median[1]	% F.V.	Median (%) [1]
Direct	\$3,819	\$ 555	5.8	1.3
Overall	3,819	1,071	5.8	2.7
[2]	2,321	-	3.5	-

[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	\$12,505	28.8
In 10 years	24,753	57.1

[1]Includes FmHA loans.

Structure: Slightly above average rate of bond principal retirement.

CIP/Future Borrowing: No plans at this time.

#### 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	Levy (000)	% Collected	
			A.V.		Current	Total[2]
1990	\$228,232	11.3	\$35.31	8,194	94.0	98.4
1991	244,118	7.0	[1] 37.81	9,188	93.6	97.0
1992	250,378	2.6	39.34	9,839	93.5	94.8
1993	486,750	[3]	21.83	10,555	In process	In process

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

[2]As of November 30, 1992.

[3]Revaluation.

1992 Full Valuation:	\$720,970,910
1992 Equalization Rate:	65.5%
Average Annual Growth F.V., 1987-92:	21.6%
1992 F.V. per Capita:	\$65,662

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
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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

	1980	1990	Norms 1980 [1]	State 1990	U.S. 1990
Population:					
Median age	32.6	34.5	31.9	34.4	32.9
% school age	19.2	14.7	21.5	15.9	18.2
% working age	61.8	62.7	61.4	63.6	61.7
% 65 and over	13.1	15.7	11.0	13.6	12.6
No. persons/household	2.6	2.4	2.9	2.6	2.63
Income:					
Median family income	\$22,518	\$49,755	\$24,422	\$49,199	\$35,225
% below poverty level	4.2	4.2	6.0	6.8	13.1
Per capita income	\$8,537	\$17,143	\$8,289	\$20,189	\$14,420
Housing:					
% owner occupied	58.9	59.5	71.6	65.6	64.2
% built before 1939	29.6	13.5	30.9	25.5	18.4
% built since last census	17.0	36.4	21.1	15.7	20.7
Owner occupied median value	\$63,800	\$151,000	\$62,041	\$177,800	\$79,100
Median gross rent	\$301	\$617	\$292	\$598	\$447
Occupied housing units	18,459	20,745	-	-	-

Source: U.S. Census Bureau.

[1] Norms are for all towns with population greater than 10,000 in the New England Region.

Labor Market Characteristics: Manchester Town

Year	Labor Force	Total Employment	% Unemployed		
			Town	State	U.S.
1981	26,823	25,354	5.5	6.2	7.6
1982	26,963	25,248	6.4	6.9	9.7
1983	27,131	25,552	5.8	6.0	9.6
1984	26,683	25,489	4.5	4.6	7.5
1985	28,716	27,381	4.6	4.9	7.2
1986	28,926	28,070	3.0	3.8	7.0
1987	29,734	28,896	2.8	3.3	6.2
1988	28,985	28,238	2.6	3.0	5.5
1989	29,391	28,523	3.0	3.7	5.3
1990 [1]	30,041	28,714	4.4	5.1	5.5
1991	30,170	28,270	6.3	6.7	6.7
9/91 [2]	30,213	28,123	6.9	7.0	6.4
9/92 [2]	29,808	27,543	7.6	7.1	7.2

Source: Department of Labor, Bureau of Labor Statistics.

[1] Base year of current benchmark. Data for preceding years may not be consistent.

[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]

	1989	1990	1991	1992 [3]	% Change 1991-92
Revenues	\$13,315	\$15,433	\$17,202	\$19,005	10.5
Expenditures	13,009	15,610	18,221	18,741	2.9
Operating surplus (deficit) [2]	306	(176)	(763)	615	-

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

[2] General Fund only.

[3] From draft of 1992 audit.

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)

	1989	1990	1991	Draft 1992
Cash and investments	\$1,584	\$1,565	\$ 501	\$484
Operating loans	-	-	-	-
Other current liabilities [1]	621	824	818	434
Year-end cash surplus (deficit)	\$ 963	\$ 741	\$ (317)	\$ 50
Receivables [1]	\$ 146	\$ 192	\$ 487	\$735
Fund balance	\$1,109	\$ 932	\$ 169	\$784
Undesignated fund balance	909	732	169	784

[1] Net of deferred revenues.

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