

**New Issue: MOODY'S ASSIGNS A2 RATING TO COLCHESTER, CT'S G.O. BONDS**

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Global Credit Research - 24 May 2001

**Rating Upgraded to A2 from A3 Affecting \$22.49 Million Bonds Outstanding**

Municipality  
CT

**Moody's Rating**

**ISSUE**

**RATING**

General Obligation Bonds

A2

**Sale Amount** \$9,460,000

**Expected Sale Date** 05/29/01

**Rating Description** General Obligation, Unlimited Tax

**Opinion**

NEW YORK, May 24, 2001 -- Moody's Investors Service has assigned an A2 rating to the Town of Colchester, CT's \$9.46 million in General Obligation Bonds. The bonds, which are secured by an unlimited tax pledge, will finance library and school improvements. Also, \$1.6 million of the proceeds will refund outstanding bonds for net present value savings. At this time, Moody's has also upgraded to an A2 from A3, the rating on the town's \$22.49 million in outstanding general obligation bonds. The A2 rating reflects the town's growing tax base, satisfactory financial operations and manageable debt levels.

**MODERATE AND STEADY TAXBASE EXPANSION EXPECTED TO CONTINUE**

Moody's believes that the town will continue to grow at a rapid pace, given the substantial amount of undeveloped land. Located along Route 2, Colchester is 25 miles south of Hartford (rated A1) and 15 miles west of Norwich (rated A1). The area is predominately residential, with over 50% of the land used for agricultural or undeveloped. Colchester continues to add taxable value at a rapid pace. Fuelled by residential and commercial developments, assessed value has grown 35.2% since 1995, or 5.8% annually (This includes 13% growth during a revaluation year in 2000). Town officials are focusing economic development efforts on the downtown area as well as several commercial and industrial sites. The town's residential wealth profile is slightly below state averages, and full value per capita is \$58,332.

**SATISFACTORY GENERAL FUND RESERVES**

Moody's expects the town to maintain stable financial operations given its satisfactory reserve position supported by strong local property tax revenues. At the close of FY00, the district's General Fund reserves were equivalent to a satisfactory 6.0% of General Fund revenues, or \$1.8 million, providing management with adequate budgetary flexibility. In 2001, the town is anticipating an operating surplus, which will increase the General Fund Balance to around 7.6% of General Fund Revenues. Local property taxes are 56.8% of the operating revenues. Tax collections in 1999 were at 97.5%. The district has historically maintained a sound liquidity position, holding most of the General Fund reserves in cash and liquid investments. Given the history of sound financial operations, Moody's believes the district's financial position will remain favorable going forward.

**DEBT BURDEN EXPECTED TO REMAIN MANAGEABLE**

Despite future borrowing, Moody's anticipates that the town's debt burden will remain manageable given significant state building aid and a rapid amortization schedule. Net of state school construction aid and sewer assessments, the town's debt burden falls to a modest 1.8% of full valuation. Principal amortization is well above average with 71.6% retired in 10 years and the debt service portion of expenditures is high, at 14.1% in fiscal 2000. The town will borrow an additional \$5.6 million in 2002 to complete the existing school project. The town expects future borrowing for a new school in the district, however, this project is not authorized at this time. Moody's does not believe that debt burden will be significantly impacted given the town's ability to successfully layer-in this future debt.

**KEY STATISTICS**

2000 population: 14,551

1990 per capita income: \$17,143 (84.9% of state)

1990 median housing value: 160,900 (90.5% of state)

2000 full valuation: \$848 million

Debt burden: 3.3%

Adjusted debt burden: 1.8%

Payout of principal (10 years): 71.6%

FY00 General Fund balance: \$1.87 million (6.0% of General Fund revenues)

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