

**NEW ISSUE**

**Ratings:** *Moody's: Aaa*  
*S&P: AAA*  
*Fitch: AAA*

*In the opinion of Co-Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, interest on the 2001 Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Co-Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the 2001 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Interest on the 2001 Bonds is excluded from Connecticut income tax on individuals, trusts and estates and from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Interest on the 2001 Bonds is included in gross income for purposes of the Connecticut corporation business tax. See "TAX EXEMPTION" herein regarding certain other tax considerations.*

**\$100,000,000**  
**State of Connecticut**  
**Clean Water Fund Revenue Bonds,**  
**2001 Series**

**Dated:** June 1, 2001

**Due:** October 1 as shown on the inside cover page

The proceeds of the 2001 Bonds will be used by the State of Connecticut (the "State") to make loans to Connecticut municipalities through the Connecticut State Revolving Fund Program (the "SRF Programs") in connection with the financing or refinancing of public wastewater treatment projects or public drinking water projects. The 2001 Bonds are payable solely from funds pledged therefor pursuant to the Clean Water Fund Revenue Bond Program General Bond Resolution adopted December 7, 1990, as amended and supplemented (the "Resolution"), including loan repayments, earnings on investments held in the Debt Service Reserve Fund and maturing principal of and interest on investments held in the Interest Subsidy Fund, as described herein. Each loan will be evidenced by a municipal obligation secured by a pledge of the municipality's full faith and credit and/or a dedicated source of revenue of such municipality. For additional information about the security for the 2001 Bonds, see "SECURITY FOR THE BONDS" herein.

**The 2001 Bonds are special obligations of the State and shall not be payable from nor charged upon any funds other than the revenues or other receipts, funds or moneys pledged therefor pursuant to the Resolution as provided in the State Act; nor shall the State or any political subdivision thereof be subject to any liability thereon except to the extent of such pledged revenues or the receipts, funds or moneys pledged therefor pursuant to such Resolution. The issuance of the 2001 Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment. The 2001 Bonds shall not constitute a charge, lien, encumbrance or mortgage, legal or equitable, upon any property of the State or of any political subdivision thereof, except as described in the Resolution.**

Interest on the 2001 Bonds will be payable on April 1 and October 1 of each year, commencing on October 1, 2001. The 2001 Bonds may be owned only in book entry form through a direct or indirect participant in The Depository Trust Company ("DTC"). Principal of and interest on the 2001 Bonds will be payable by State Street Bank and Trust Company, as Trustee and Paying Agent, at its corporate trust office in Hartford, Connecticut, or at its office in Boston, Massachusetts. See "DESCRIPTION OF THE 2001 BONDS--Book-Entry-Only System."

The 2001 Bonds will be subject to redemption prior to maturity as described herein.

---

*See inside front cover page for maturities, amounts, interest rates and yields*

---

The 2001 Bonds are offered subject to prior sale, when, as and if issued and received by the Underwriters, subject to the approval of the legality of the 2001 Bonds by Nixon Peabody LLP, Hartford, Connecticut, and the Hardwick Law Firm, LLC, Kansas City, Missouri, Co-Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the Underwriters by Shipman & Goodwin LLP, Hartford, Connecticut, Underwriters' Counsel. It is expected that the 2001 Bonds will be available for delivery in book-entry-only form at DTC in New York, New York on or about June 12, 2001.

---

**Honorable Denise L. Nappier**  
**Treasurer of the State of Connecticut**

---

**UBS PaineWebber Inc.**

**Goldman, Sachs & Co.**  
**A. G. Edwards & Sons, Inc.**  
**First Albany Corporation**  
**Melvin Securities, L.L.C.**

**Quick & Reilly, Inc.**  
**Tucker Anthony Incorporated**

**Lehman Brothers**  
**Advest, Inc.**  
**First Union National Bank**  
**Merrill Lynch & Co.**

**Salomon Smith Barney**

**M. R. Beal & Co.**  
**Ebond Trade, LLC**  
**Jackson Securities Incorporated**  
**Morgan Stanley Dean Witter**  
Morgan Stanley & Co. Incorporated  
**Siebert Brandford Shank & Co., L.L.C.**  
**William Blair & Company LLC**

**\$100,000,000**

**State of Connecticut**

**Clean Water Fund Revenue Bonds,  
2001 Series**

**Maturity Schedule**

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Yields</u>
October 1, 2003	\$ 4,050,000	4.000%	3.070%
October 1, 2004	4,140,000	4.000	3.300
October 1, 2005	4,230,000	4.000	3.490
October 1, 2006	4,325,000	4.000	3.640
October 1, 2007	4,415,000	4.000	3.800
October 1, 2008	4,505,000	4.000	3.950
October 1, 2009	4,605,000	4.000	4.070
October 1, 2010	4,705,000	4.200	4.200
October 1, 2011	4,805,000	4.300	4.300
October 1, 2012	4,910,000	4.400	4.470
October 1, 2013	1,915,000	4.500	4.600
October 1, 2013	3,100,000	5.500	4.600*
October 1, 2014	1,820,000	4.700	4.700
October 1, 2014	3,300,000	5.500	4.700*
October 1, 2015	665,000	4.750	4.790
October 1, 2015	4,570,000	5.500	4.790*
October 1, 2016	2,100,000	4.875	4.875
October 1, 2016	3,245,000	5.500	4.875*
October 1, 2017	540,000	4.900	4.940
October 1, 2017	4,920,000	5.500	4.940*
October 1, 2018	5,580,000	5.000	5.000
October 1, 2019	2,690,000	5.000	5.020
October 1, 2019	3,010,000	5.500	5.020*
October 1, 2020	830,000	5.050	5.050
October 1, 2020	4,995,000	5.500	5.050*
October 1, 2021	5,950,000	5.050	5.080
October 1, 2022	6,080,000	5.100	5.100

**(plus accrued interest from June 1, 2001)**

\* Priced assuming optional redemption at par on October 1, 2011. See "DESCRIPTION OF THE 2001 BONDS – Redemption."

No dealer, broker or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, in connection with the offering contained herein, and, if given or made, such other information or representations must not be relied upon as having been authorized by the State of Connecticut or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the 2001 Bonds and there will not be any sale of the 2001 Bonds where it is not allowed by law. The delivery of this Official Statement at any time does not imply that the information herein is current as of any time subsequent to its date.

The Underwriters have provided the following sentence for inclusion in the Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2001 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

## TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION .....	1
STATE OF CONNECTICUT CLEAN WATER FUND REVENUE BOND PROGRAM .....	2
Federal Statutory Framework .....	3
State's SRF Programs .....	3
Bonds Authorized and Issued for Purposes of Clean Water Fund .....	5
Repayment of the Bonds including 2001 Bonds .....	6
STATE OF CONNECTICUT OFFICE OF THE TREASURER .....	7
STATE OF CONNECTICUT DEPARTMENT OF ENVIRONMENTAL PROTECTION .....	8
STATE OF CONNECTICUT DEPARTMENT OF PUBLIC HEALTH .....	8
THE LOANS .....	8
Loan Application Process .....	8
Loan Agreements .....	9
Loan Repayments .....	9
Security for the Loans .....	10
THE BORROWERS .....	10
PLAN OF FINANCE .....	13
SOURCES AND USES OF FUNDS .....	13
DEBT SERVICE SCHEDULE .....	14
SECURITY FOR THE BONDS .....	15
Special Obligation .....	15
Flow of Funds .....	15
Cross-Collateralization .....	17
Investment of Funds .....	17
Additional Bonds .....	17
Bond Anticipation Notes .....	18
Subordinate Bonds .....	18
State General Taxing Power Not Pledged .....	18
AUTHORIZATION FOR THE BONDS .....	18
Legal Authority--State Bond Commission .....	18
Agreement of the State .....	19
DESCRIPTION OF THE 2001 BONDS .....	19
General .....	19
Redemption .....	19
Book-Entry-Only System .....	20
ABSENCE OF LITIGATION .....	22
LEGALITY FOR INVESTMENT .....	22
CERTAIN LEGAL MATTERS .....	23
TAX EXEMPTION .....	23
CONTINUING DISCLOSURE AGREEMENTS .....	25
UNDERWRITING .....	26
RATINGS .....	26
FINANCIAL ADVISORS .....	26
FINANCIAL STATEMENTS .....	26
ADDITIONAL INFORMATION .....	26
APPENDIX A -- Municipality Information	
Part I: General Information	
Part II: Specific Municipal Information	
APPENDIX B -- Clean Water Fund--State Revolving Fund Financial Statements and Drinking Water Fund	
-- State Revolving Fund Financial Statements	
APPENDIX C -- Annual Information Statement of the State of Connecticut Dated November 1, 2000, Modified	
January 29, 2001 and Supplemented March 29, 2001	
APPENDIX D -- Summary of Certain of the Provisions of the General Bond Resolution	
APPENDIX E -- Summary of Certain Provisions of each Project Loan and Project Grant Agreement	
APPENDIX F -- Definitions of Certain Terms	
APPENDIX G -- Form of State Continuing Disclosure Agreement and Form of Municipal Continuing	
Disclosure Agreement	
APPENDIX H -- Proposed Form of Co-Bond Counsel Opinion	

## OFFICIAL STATEMENT

**\$100,000,000**  
**State of Connecticut**  
**Clean Water Fund Revenue Bonds,**  
**2001 Series**

### INTRODUCTION

*The following introductory information is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, including the Appendices hereto, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page and Appendices should be read in its entirety. The offering of the 2001 Bonds to potential investors is made only by means of the entire Official Statement.*

#### **Purpose of Official Statement**

This Official Statement is furnished to provide information concerning the \$100,000,000 aggregate principal amount of Clean Water Fund Revenue Bonds, 2001 Series (the "2001 Bonds"), being issued by the State of Connecticut (the "State"). The 2001 Bonds, together with any bonds previously or hereafter issued on a parity with the 2001 Bonds under the Resolution, are collectively referred to herein as the "Bonds."

#### **SRF Programs**

The SRF Programs consist of the wastewater pollution control revolving fund program, established by the State under the federal Water Quality Act of 1987 (the "Wastewater Program") and the drinking water revolving fund program, established by the State under the 1996 amendments to the federal Safe Drinking Water Act (the "Drinking Water Program" and together with the Wastewater Program, the "SRF Program" or "SRF Programs"). Pursuant to the SRF Programs, certain federal capitalization grants and State matching funds are used to provide leveraged financing for eligible projects in the State and to provide reserves as a source of payment for certain obligations issued to fund Loans under the SRF Programs. See "SECURITY FOR THE BONDS" herein.

#### **Purpose of 2001 Bonds**

The 2001 Bonds are being issued to fund Loans to municipal Borrowers under the State's SRF Programs and to pay issuance costs of the 2001 Bonds. See "THE BORROWERS" herein.

#### **Authority for 2001 Bonds**

The 2001 Bonds are being issued pursuant to Connecticut General Statutes Sections 22a-475 to 22a-483, inclusive, as amended (the "State Act"), the Clean Water Fund Revenue Bond Program General Bond Resolution adopted by the State Bond Commission on December 7, 1990, as amended and supplemented and a Series Resolution, adopted by the State Bond Commission on December 15, 2000 (the General Bond Resolution and the Series Resolution are sometimes collectively referred to herein as the "Resolution"). State Street Bank and Trust Company has been appointed as trustee (together with any successor, the "Trustee") under the Resolution.

#### **Security for 2001 Bonds**

The 2001 Bonds are special obligations of the State and shall not be payable from nor charged upon any funds other than the revenues or other receipts, funds or moneys pledged therefor pursuant to the Resolution as provided in the State Act.

Debt Service on the 2001 Bonds is expected to be paid from Pledged Receipts, earnings on investments held in the Debt Service Reserve Fund and maturing principal and interest on investments held in the Interest Subsidy Fund. "Pledged Receipts" means payments of principal and interest on the Municipal Obligations, including both timely and delinquent payments with late charges, if any, and includes any Fees and Charges, fines and penalties collected or held by the State. Pledged Receipts include the repayments of Loans made from both the Wastewater Program and the Drinking Water Program, including all Loans previously funded as well as future Loans. Although amounts attributable to each program will be tracked separately for federal reporting purposes, all Pledged Receipts will secure all Bonds of the Clean Water Fund Revenue Bond Program.

Each Municipal Obligation is secured by the full faith and credit of the Borrower and/or a dedicated source of revenue of such Borrower. Each Municipal Obligation will provide for repayment of the principal amount of the Loan it evidences, together with interest on the unpaid principal amount of such Loan. In addition to an obligation evidencing a Loan being funded from the proceeds of Bonds, "Municipal Obligation" includes the obligation of a municipality to pay principal of and interest on certain Loans funded from the proceeds of State general obligation bonds heretofore issued and federal capitalization grants heretofore received. See "SECURITY FOR THE BONDS" herein.

### **Additional Information**

There follows in this Official Statement brief descriptions of the Clean Water Fund Revenue Bond Program, including the Wastewater Program and the Drinking Water Program, the Loans and certain Borrowers, the 2001 Bonds and certain other matters. Certain information relating to The Depository Trust Company ("DTC") and the book-entry-only system has been furnished by DTC. All references herein to any document are qualified by the terms of such document in its entirety. Unless otherwise indicated herein, capitalized terms not otherwise defined herein will have the meanings given to such terms in Appendix F hereto.

Attached hereto as Appendix A is certain limited information about certain Borrowers. Such information was provided by such Borrowers and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the State or the Underwriters. The information contained herein relating to such Borrowers should be read in conjunction with the information contained in Appendix A.

Appendix B to this Official Statement contains the SRF Programs' Financial Statements for the fiscal years ended June 30, 1999 and June 30, 2000. Appendix C to this Official Statement describes the State's current Annual Information Statement, as modified and supplemented, which is included in this Official Statement by cross-reference to filings made by or on behalf of the State with the Municipal Securities Rulemaking Board and other Nationally Recognized Municipal Securities Information Repositories. Appendices D and E, respectively, contain descriptions of certain provisions of the Resolution and the Project Loan and Project Grant Agreement between the State and each Borrower. Appendix F contains definitions of certain terms. Appendix G contains the form of Continuing Disclosure Agreement to be entered into by the State in connection with issuance of the 2001 Bonds and the form of Municipal Continuing Disclosure Agreement to be entered into by the Borrowers identified in Appendix A in connection with the issuance of the 2001 Bonds. Appendix H contains the proposed form of opinion of Co-Bond Counsel to be rendered in connection with the issuance and delivery of the 2001 Bonds.

## **STATE OF CONNECTICUT CLEAN WATER FUND REVENUE BOND PROGRAM**

The Clean Water Fund Revenue Bond Program was created by the State pursuant to the State Act. It is jointly managed by the State Department of Environmental Protection ("DEP"), the Office of the Treasurer (the "Treasurer") and the State Department of Public Health ("DPH"). In accordance with the State Act, the State funds Loans from the Clean Water Fund to municipalities to provide capital for various State and federally mandated water pollution control and drinking water projects (the "Loans"). The SRF Program was originally established for wastewater treatment projects. (See "STATE OF CONNECTICUT CLEAN WATER FUND REVENUE BOND

PROGRAM – Wastewater Program” herein). The State amended the State Act in 1996 to create the Drinking Water Program within the Clean Water Fund. (See “STATE OF CONNECTICUT CLEAN WATER FUND REVENUE BOND PROGRAM – Drinking Water Program” herein). The State Act and the Resolution permit the pledging of assets of both the Wastewater Program and the Drinking Water Program to secure all Bonds. See “SECURITY FOR THE BONDS” herein.

### **Federal Statutory Framework**

The federal Water Quality Act of 1987, which amended the federal Clean Water Act of 1972 (together with any regulations promulgated thereunder, the "CWA"), established state water pollution control revolving fund programs for wastewater treatment projects. The water pollution control revolving funds are used to provide financial assistance to municipalities in connection with the construction, rehabilitation, expansion or improvement of publicly owned systems for the storage, treatment, recycling and reclamation of municipal sewage. Federal appropriations continue to be made annually to states for funding of wastewater treatment projects even though the CWA has expired by its terms and, as of this date, has not yet been reauthorized by Congress.

The federal Safe Drinking Water Act, as amended by the Safe Drinking Water Act Amendments of 1996 (together with any regulations promulgated thereunder, the "SDWA"), established a state drinking water revolving fund program to provide grants to states which are to be used to provide loans to water systems to finance drinking water infrastructure improvements. State drinking water revolving fund loans must serve to protect the public health and to achieve or maintain compliance with the SDWA. The drinking water revolving funds are to be used to provide financial assistance to local privately owned or publicly owned water systems in connection with the planning, design, development, construction, repair, extension, improvement, remodeling, alteration, rehabilitation, reconstruction or acquisition of all or a portion of a public water system.

As a condition for receipt of certain federal financial assistance under both the CWA and the SDWA, each state must establish a revolving fund to accept federal capitalization grants and must provide matching funds equal to 20% of the federal capitalization grants. Federal capitalization grants are paid to the State pursuant to the Federal Transfer Payment System. Cash draws under the Federal Transfer Payment System are initiated when a written payment request is submitted by DEP. Upon approval of such request, an electronic transfer of funds, in the amount requested, is made by the United States Environmental Protection Agency (“EPA”) to a financial institution designated by the State.

### **State’s SRF Program**

The State’s participation in the federal programs pursuant to the CWA and the SDWA is implemented through its Clean Water Fund. The Clean Water Fund serves as the qualifying state revolving fund for the SRF Program. It is divided into the following six accounts: (1) the water pollution control federal revolving loan account; (2) the water pollution control state account; (3) the Long Island Sound clean-up account; (4) the rivers restoration account; (5) the drinking water federal revolving loan account; and (6) the drinking water state account.

The purpose of the State's SRF Program is to provide a source for low interest loans and other types of financial assistance (other than direct grants) to local entities for the construction, rehabilitation, expansion or improvement of publicly owned wastewater treatment or publicly and privately owned drinking water facilities. To fund such loans and financial assistance, the State makes periodic cash draws under the Federal Transfer Payment System based on the amount of costs incurred for eligible projects or activities by either all or a specified group of municipal projects receiving Loans, as determined by the State from time to time. The State has elected to base its cash draws on the costs incurred by a specified group of municipal projects on a dollar-for-dollar basis; however, an amount up to the full amount of the federal capitalization grants allocated to the Bonds can be immediately drawn upon to the extent necessary to prevent an imminent default on the Bonds. See Appendix D -- "Summary of Certain of the Provisions of the General Bond Resolution."

### ***Wastewater Program***

The Wastewater Program has been funded with (i) federal wastewater capitalization grants awarded by the EPA to the State, (ii) State contributions ("State Contributions") provided by the State and (iii) proceeds of the Bonds. Under the CWA, in order to receive federal wastewater capitalization grants, the State must provide matching funds in a ratio of at least \$1 for every \$5 of federal wastewater capitalization grants. State Contributions include required State matching funds and other amounts contributed by the State to the Wastewater Program above the amount required by the CWA. The State has deposited amounts in the Wastewater Program which exceed the required amount of State matching funds for federal wastewater capitalization grants awarded to date.

Under the Wastewater Program, the State provides Loans with a 2% interest rate which must be repaid over a period no later than 20 years after the completion date of the project. Up to 4% of the annual federal wastewater capitalization grant is used to fund administrative costs.

Prior to the initial issuance of Bonds, the Wastewater Program funded loans to municipalities from federal wastewater capitalization grants and the proceeds of State general obligation bonds. Since 1991, wastewater loans to municipalities have been primarily funded from the proceeds of the Bonds. The federal capitalization grants and State Contributions in the Wastewater Program are currently used to make Debt Service Reserve Fund deposits required in connection with the issuance of Bonds. State Contributions used to meet the Debt Service Reserve Fund Requirement (as defined in the Resolution) are held by the Trustee in the form of cash and/or permitted investments (including State general obligation bonds). State Contributions also are used to meet the Interest Subsidy Fund Requirement (as defined in the Resolution). Federal capitalization grants used to meet the Debt Service Reserve Fund Requirement are held by the Trustee in the form of either (a) cash and/or permitted investments or (b) amounts available under the federal capitalization grants and not yet drawn upon, which are allocated to the Debt Service Reserve Fund.

Federal wastewater capitalization grants for federal fiscal years 1987 through 2001 in the amount of \$277,755,714 have been awarded by the EPA to the State, of which \$11,110,228 has been used or reserved for administrative costs. Of the total federal wastewater capitalization grants, \$21,137,981 remains available to be drawn but is not pledged to the Bonds. The State has drawn \$245,507,505 as cash for projects and used, or expects to use, such amounts as follows: (1) \$31,747,306 to make direct loans to municipalities and (2) \$181,673,136 has been deposited in the Debt Service Reserve Fund, and an additional \$6,730,000 will be deposited in the Debt Service Reserve Fund in connection with the issuance of the 2001 Bonds. The remaining \$25,357,063 is not pledged to the Bonds. State Contributions in the amount of approximately \$135 million in the form of taxable State general obligation bonds have been deposited in the Debt Service Reserve Fund and the Interest Subsidy Fund with respect to Bonds issued to date.

### ***Drinking Water Program***

Prior to the issuance of the 2001 Bonds, the Drinking Water Program funded loans to municipalities from federal drinking water capitalization grants. With the issuance of the 2001 Bonds, the State intends to fund Loans to municipalities for the Drinking Water Program primarily from the proceeds of Bonds. The federal drinking water capitalization grants and State Contributions in the Drinking Water Program will be used to make Debt Service Reserve Fund deposits required in connection with the issuance of Bonds.

Under the Drinking Water Program, the State provides loans at an interest rate equal to 50% of the most recent rate paid on State of Connecticut General Obligation Bonds (the "Market Rate"). Loans must be repaid over a period not to exceed 20 years from the completion date of the project. The State may amend these terms based on the financial viability of the Borrower. Up to 31% of the federal drinking water capitalization grant for each fiscal year is used for all set-aside activities including payments of administrative costs. Other set-aside activities include expenses for Small Systems Technical Assistance, State Program Management, Local Assistance and other State drinking-water-related programs.



Federal drinking water capitalization grants in the amount of \$43,750,305 have been awarded by EPA to the State, covering federal fiscal years 1997 through 2000, of which \$21,334,219 has been reserved for administrative costs, direct loans to private Borrowers and other set-aside activities. Of the total federal drinking water capitalization grants, \$11,483,723 remains available to be drawn but is not pledged to the Bonds. The State has drawn \$10,932,363 as cash for projects of which \$9,601,303 will be deposited in the Debt Service Reserve Fund in connection with the issuance of the 2001 Bonds. The remaining \$1,331,060 is not pledged to the Bonds. State Contributions in the amount of approximately \$10.4 million in the form of taxable State general obligation bonds will be deposited in the Debt Service Reserve Fund with respect to the issuance of the 2001 Bonds. See "SOURCES AND USES OF FUNDS" herein.

### ***Administration of SRF Programs***

The State has administered and managed the SRF Programs in conjunction with one another and intends to continue to do so. There are certain minor differences between the SRF Programs. Under the State's Wastewater Program, all participating municipalities receive from the Clean Water Fund a grant of 20% and a loan of 80% of total eligible costs (with the exception of combined sewer overflow correction projects which are financed with a 50% grant and a 50% loan and nitrogen reduction portions of projects which are financed with a 30% grant and a 70% loan) for a total funding of 100% of the eligible water quality project costs. The Loans bear interest at a rate of 2% per annum for municipalities which undertake wastewater treatment projects. Under the State's Wastewater Program, the DEP is primarily responsible for wastewater projects and the fiscal administration of set-aside projects and accounts. Under the State's Drinking Water Program, there is no grant component and 100% of eligible drinking water projects are funded with Loans. The State provides financial assistance through loans bearing interest at a rate equal to 50% of the Market Rate. The State's Department of Public Health is responsible for programmatic administration of the Drinking Water Program projects. See "STATE OF CONNECTICUT OFFICE OF THE TREASURER," "STATE OF CONNECTICUT DEPARTMENT OF ENVIRONMENTAL PROTECTION" AND "STATE OF CONNECTICUT DEPARTMENT OF PUBLIC HEALTH" herein.

## **Bonds Authorized and Issued for Purposes of Clean Water Fund**

### ***Revenue Bonds***

Through Fiscal Year 2001, the State General Assembly has authorized the issuance of \$999.4 million of revenue bonds for Clean Water Fund purposes. To date, the State Bond Commission has allocated approximately \$805.6 million of revenue bonds to make Loans to Borrowers under the Clean Water Fund. The State has issued \$645 million of Bonds and \$127.4 million of subordinate refunding bonds which refunded a portion of the Bonds. As of May 1, 2001, approximately \$401 million of Bonds and \$125.6 million of subordinate refunding bonds remain outstanding. Payment of debt service on the subordinate refunding bonds is subordinate to the payment of debt service on the Bonds. See "SECURITY FOR THE BONDS -Subordinate Bonds."

### ***General Obligation Bonds***

Through Fiscal Year 2001, the State General Assembly has authorized the issuance for Clean Water Fund purposes of \$717.8 million of general obligation bonds for Clean Water Fund purposes. To date, the State Bond Commission has allocated approximately \$622.1 million of general obligation bonds. The proceeds of those bonds have been used, or will be used, to make grants and loans to Borrowers and deposits to the Debt Service Reserve Fund and the Interest Subsidy Fund (as such terms are defined below). The State expects that additional grants and loans to Borrowers as well as deposits to the Debt Service Reserve Fund and the Interest Subsidy Fund will be funded from State general obligation bonds. Approximately \$12.3 million of general obligation bonds (included in the \$622.1 million of general obligation bonds previously allocated by the State Bond Commission) are being issued in connection with the delivery of the 2001 Bonds for deposit in the Debt Service Reserve Fund and the Interest Subsidy Fund.

## **Repayment of the Bonds including 2001 Bonds**

Debt service on the 2001 Bonds will be paid from repayments of municipal Loans (as described herein), earnings on investments held in the Debt Service Reserve Fund (the "Debt Service Reserve Fund") and from maturing principal and interest on investments held in the Interest Subsidy Fund (the "Interest Subsidy Fund") created under the General Bond Resolution. The Debt Service Reserve Fund is required to be funded in an amount equal to 50% of the aggregate principal amount of Bonds outstanding as of any date (the "Debt Service Reserve Fund Requirement"). The Interest Subsidy Fund is required to be funded in such amount so that the maturing principal and interest on Interest Subsidy Fund investments, together with earnings on investments held in the Debt Service Reserve Fund, repayments of municipal Loans and other available funds will be at least sufficient to pay the debt service on the Bonds.

The Debt Service Reserve Fund is currently funded as described above and is expected to be additionally funded in connection with the issuance of 2001 Bonds with federal capitalization grants, State general obligation bonds and available moneys of the SRF Programs. The Interest Subsidy Fund is currently funded as described above and is expected to be additionally funded in connection with the issuance of 2001 Bonds by the deposit of State general obligation bonds used for clean water purposes. See "SECURITY FOR THE BONDS" for a discussion of the application of amounts on deposit in the Debt Service Reserve Fund and the Interest Subsidy Fund, the method by which such Funds are funded and the use of such amounts authorized under the Resolution.

In accordance with the SRF Program and as required by the State Act, Loans to each municipality are made by the State pursuant to a Project Loan and Project Grant Agreement (as referred to herein, a "Loan Agreement") between the municipality and the State. Under each Loan Agreement, the State agrees to make a loan for eligible project costs incurred by the municipality, upon the terms and in a maximum amount specified in such Loan Agreement. Each municipality is obligated pursuant to its Loan Agreement to repay only that amount which it actually draws for the payment of project costs. Each municipality must deliver to the State an obligation secured by the full faith and credit of the municipality and/or a dedicated source of revenue. Such obligation will provide for repayment of the principal amount of the Loan, together with interest at the rate of 2% per annum for Wastewater Program Loans or 50% of the Market Rate for Drinking Water Program Loans on the unpaid principal amount of such Loan.

**The 2001 Bonds are special obligations of the State and shall not be payable from nor charged upon any funds other than the revenues or other receipts, funds or moneys pledged therefor pursuant to the Resolution as provided in the State Act; nor shall the State or any political subdivision thereof be subject to any liability thereon except to the extent of such pledged revenues or the receipts, funds or moneys pledged therefor pursuant to the Resolution as provided in the State Act. The issuance of the 2001 Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment. The State Act provides that the 2001 Bonds shall not constitute a charge, lien, encumbrance or mortgage, legal or equitable, upon any property of the State or of any political subdivision thereof, except property mortgaged or otherwise encumbered under the provisions of and for the purposes of the State Act. The Resolution does not provide for the mortgaging or encumbering of any State or municipal real property as security for the 2001 Bonds. See "SECURITY FOR THE BONDS" for additional information relating to the security for the Bonds.**

**STATE OF CONNECTICUT  
OFFICE OF THE TREASURER**

The Treasurer is primarily responsible for receiving and disbursing all moneys belonging to the State, supervising the collection of State taxes and the investment of State funds, administering certain State trust funds and managing State property. Subject to the approval of the Governor, the Treasurer is authorized, when necessary, to make temporary borrowings evidenced by State obligations. In addition, the State Bond Commission normally delegates to the Treasurer the responsibility for determining the terms and conditions and carrying out the issuance of State general obligation and revenue bonds.

The Treasurer and DEP have entered into a Memorandum of Agreement pertaining to the management of the Clean Water Fund. The Memorandum of Agreement delegates to the Treasurer certain responsibilities with respect to the implementation and management of the Clean Water Fund. A Financial Administrator has been appointed by the Treasurer to manage and coordinate the various financial components of the Clean Water Fund on a day-to-day basis. The activities of the Financial Administrator are coordinated with those of DEP and the Office of Policy and Management ("OPM") for the Wastewater Program. OPM manages the State's capital budget and oversees the bond allocation process.

The Drinking Water Program Interagency Memorandum of Understanding details the roles and responsibilities of DPH, DEP, the Treasurer and the Department of Public Utility Control ("DPUC") with respect to the Drinking Water Program. DPH is responsible for programmatic administration of the drinking water projects and for programmatic and fiscal administration of the set-aside projects and accounts. DEP is in charge of fiscal administration and planning, design and construction projects for the Drinking Water Program. The Treasurer handles the fiscal administration of all Drinking Water Program accounts, oversight of project loans including loan issuance and loan closings under the fiscal provisions of the State's SRF Programs and the administration of Drinking Water Program, which may include the issuance of bonds. The DPUC has programmatic and fiscal input on Drinking Water Program projects for DPUC regulated privately owned public drinking water utilities. The DPUC has no rate-making authority with respect to municipal Borrowers.

The Financial Administrator is responsible for the following tasks: development of all the supporting data for the financing of projects from the Clean Water Fund, including reviewing any credit related documents submitted by municipalities to obtain a Loan; coordination of the tax documentation necessary to finance the projects; coordination of the investment of bond proceeds of either revenue bonds or general obligation bonds to maximize the yield while meeting the other programmatic requirements of the Clean Water Fund; and coordination of the preparation of documentation to finance the Clean Water Fund program. The Financial Administrator and DEP prepare the annual report detailing the activities of the Clean Water Fund to be submitted to the Governor by the Commissioner of DEP and the Treasurer. The Treasurer makes no representation as to the creditworthiness of any particular municipality or its ability to make Loan repayments.

**STATE OF CONNECTICUT  
DEPARTMENT OF ENVIRONMENTAL PROTECTION**

DEP was established as a State agency to carry out the environmental policy of the State, including conserving, improving and protecting the State's natural resources and environment and mitigating water, land and air pollution. The State Act gives DEP certain statutory responsibilities with respect to the Clean Water Fund ("DEP Priority List"). DEP is also responsible for enforcement of, and compliance with, State and federal laws, rules and regulations pertaining to pollution control in the State generally and supervising research related to restoring and rehabilitating the Long Island Sound.

DEP, as the recipient of the federal capitalization grants on behalf of the State, executes a capitalization grant agreement with the EPA, processes cash draws of the grants under a federal electronic transfer payment system (the "Federal Transfer Payment System") and requests the appropriate State matching funds from the State for deposit in the Wastewater Program. DEP prepares and submits an annual report detailing its activities to the EPA.

DEP annually prepares the Priority List of eligible water quality projects identifying wastewater treatment projects that are eligible for assistance from the Clean Water Fund. In addition to determining project eligibility, DEP approves disbursement requests for construction costs incurred by municipalities which receive financial assistance from the Clean Water Fund. DEP also inspects projects to monitor compliance with approved plans and specifications therefor. DEP establishes compliance schedules for each step of municipal pollution control projects, including planning, design and construction, and reviews all submissions of municipalities that are required to follow an enforcement schedule.

**STATE OF CONNECTICUT  
DEPARTMENT OF PUBLIC HEALTH**

The Department of Public Health ("DPH") is the state agency that carries out the public health policy of the State, including the use and protection of the State's drinking water resources. The State Act gives DPH certain statutory responsibilities with respect to the Drinking Water Program. DPH is also responsible for enforcement of and compliance with, State and federal laws, rules and regulations pertaining to drinking water and its use in the State.

DPH determines the future needs and sets priorities for funding drinking water projects. Based on approved state and federal appropriations, DPH annually prepares the Priority List identifying drinking water projects that are eligible for assistance from the Drinking Water Program ("DPH Priority List"). DPH is responsible for reporting the details of these and other program activities to the EPA every year.

**THE LOANS**

**Loan Application Process**

While there are slight differences between the Wastewater Program and the Drinking Water Program, the Loan application processes are similar. In order to qualify for funding from a SRF Program, a project must be listed on DEP's Priority List of eligible water quality projects or DPH's Priority List of eligible drinking water projects (collectively, the "Priority List"), which sets forth the projects expected or proposed to receive financial assistance under the SRF Program. As a condition to being placed on the Priority List for a wastewater treatment project, a municipality must have previously received an administrative abatement order from DEP directing the municipality to alleviate existing or potential wastewater disposal problems; for the Drinking Water Program no abatement order is required. Once a project is placed on the Priority List, the potential loan recipient must file an application for financial assistance for such project. The application must pass four levels of approval: (1) evaluation and enforcement, which determines if the proposed project addresses the needs cited by DEP/DPH and

complies with regulatory and statutory requirements; (2) project administration, which determines if the project is eligible for funding in accordance with state and federal regulations; (3) environmental review, which involves the preparation of an environmental assessment of the project; and (4) credit review, which analyzes an applicant's ability to repay the Loan. The Office of the Treasurer reviews the financial information submitted with each application. DEP and the Office of the Treasurer determine whether, and on what terms and conditions, financial assistance will be provided, including whether or not the State will issue revenue bonds for the benefit of the project. If DEP and the Office of the Treasurer determine that the State will not finance all or a portion of the cost of such project from the proceeds of revenue bonds, the State may provide a direct loan to assist an eligible project from available moneys in any of the other accounts in the Clean Water Fund. Grants to municipalities for qualified wastewater projects are funded solely from the Wastewater Program. The State funds Wastewater Program grants with State general obligation bonds only.

### **Loan Agreements**

Prior to the making of a Loan to a municipality (a "Borrower") for an eligible project (a "Project") from funds in the Clean Water Fund, the Borrower and the State must enter into a Loan Agreement relating to such Loan and the Borrower must deliver to the State an obligation of such Borrower (a "Municipal Obligation") evidencing such Loan. In each Loan Agreement, the State agrees to make a Loan in an amount up to the maximum amount provided in the Loan Agreement. Funds are disbursed to a Borrower only to pay eligible Project costs which actually have been incurred by the Borrower, and the amount of a Loan is equal to the aggregate of such disbursed amounts.

Each Loan Agreement specifies a date as of which the Project is required to be completed (the "Scheduled Completion Date"). Amortization of each Loan is required to begin no later than one year from the earlier of the Scheduled Completion Date specified in the Loan Agreement or the actual Project completion date. The final maturity of each Loan is no later than twenty years from the Scheduled Completion Date. Pursuant to the State Act, each Loan bears an interest rate of 2% per annum for Wastewater Program Loans or 50% of Market Rate for Drinking Water Program Loans.

### **Loan Repayments**

Pursuant to the State Act and the Loan Agreements, principal and interest payments on Loans are payable (i) in equal monthly installments commencing one month after the Scheduled Completion Date, or (ii) in a single annual installment representing the first year's principal not later than one year after the Scheduled Completion Date and thereafter in monthly installments of principal and interest. Loans made under Loan Agreements entered into prior to July 1, 1989 are repayable in annual installments. Borrowers may elect to make level debt service payments or level principal payments. Borrowers may prepay their Loans, with no prepayment penalty, at any time prior to maturity.

Under the Resolution, repayments of Loans are "Pledged Receipts" and are deposited into the Pledged Receipts Account of the Revenue Fund. See "Flow of Funds-*Revenue Fund*" below. Upon deposit therein, amounts in the Pledged Receipts Account are immediately transferred to the appropriate accounts of the Debt Service Fund for the payment of principal of and interest on the Bonds to the extent required to meet the Debt Service payments due during the period from the immediately preceding January 2 through the next succeeding January 1. To the extent surplus moneys remain in the Pledged Receipts Account, they are transferred to the Debt Service Reserve Fund in the amount necessary to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement. To the extent not required pursuant to the Resolution to be deposited into the Debt Service Fund or Debt Service Reserve Fund, the repayments may be withdrawn by the State free and clear of the lien of the Resolution upon the delivery of a cash flow sufficiency certificate of an Authorized Officer of the State; provided that, the State is obligated to apply such surplus amounts first to pay debt service on the subordinate refunding bonds, and thereafter may use such amounts for any SRF Program purposes. See "SECURITY FOR THE BONDS -- Subordinate Bonds." The State's current policy is to apply remaining surplus Loan repayments after the above-

described applications to fund the deposits to the Debt Service Reserve Fund upon the issuance of additional series of Bonds. In connection with this offering, the State makes no representation as to the creditworthiness of any particular Borrower or its ability to make Loan repayments. To date, no Borrower has failed to make any of its Loan repayments to the Clean Water Fund.

### **Security for the Loans**

Each Loan is secured by a Municipal Obligation of the Borrower for which each Borrower pledges its full faith and credit and/or a dedicated source of revenue of such Borrower. The issuance of the Municipal Obligation must be accompanied by an opinion of counsel to the Borrower to the effect that such obligation constitutes a legal, valid and binding general obligation for which the full faith and credit of the Borrower is pledged and/or a legal, valid and binding revenue obligation for which a dedicated source of revenue of that Borrower is pledged.

### **THE BORROWERS**

Under the Resolution, Borrowers may include any metropolitan district, town, water district, consolidated town and city, consolidated town and borough, city, borough, village, district, fire and sewer district, sewer district or public authority and each municipal organization having authority to levy and collect taxes or make charges for its authorized function.

The State has made Loans, and has entered into or anticipates entering into Loan Agreements under which it will agree to make Loans, to the municipalities in the amounts set forth below. Except as provided below, the Bond proceeds are disbursed on a first-come, first served basis to those municipalities that have executed Loan Agreements, as such municipalities incur Project costs. However, in connection with the issuance of Bonds, a portion of the proceeds of such Bonds has been allocated to the specified group of municipal projects which were the basis of Federal Transfer Payment System draws to insure that the full amount of the federal capitalization grant allocated to the Debt Service Reserve Fund for such Bonds would be drawn as Bond proceeds and disbursed to make loans; no such allocation will be required in connection with the issuance of the 2001 Bonds. Except as noted in the preceding sentence, the specific amount of Bond proceeds loaned to any municipality will depend upon the actual progress of construction of such municipality's Project. Municipalities in addition to the ones listed below, subject to State Bond Commission approval, may receive Loans from Bond proceeds, provided that they have entered into Loan Agreements with the State and incurred Project costs prior to disbursement of such Bond proceeds. Loan Agreements relating to the Borrowers listed below may be amended to provide that additional municipalities that use portions of any Project may be liable, in lieu of such listed Borrowers, for the repayment of portions of the amount lent thereunder. Borrowers may or may not have credit ratings from one or more nationally recognized rating agencies on their municipal debt.

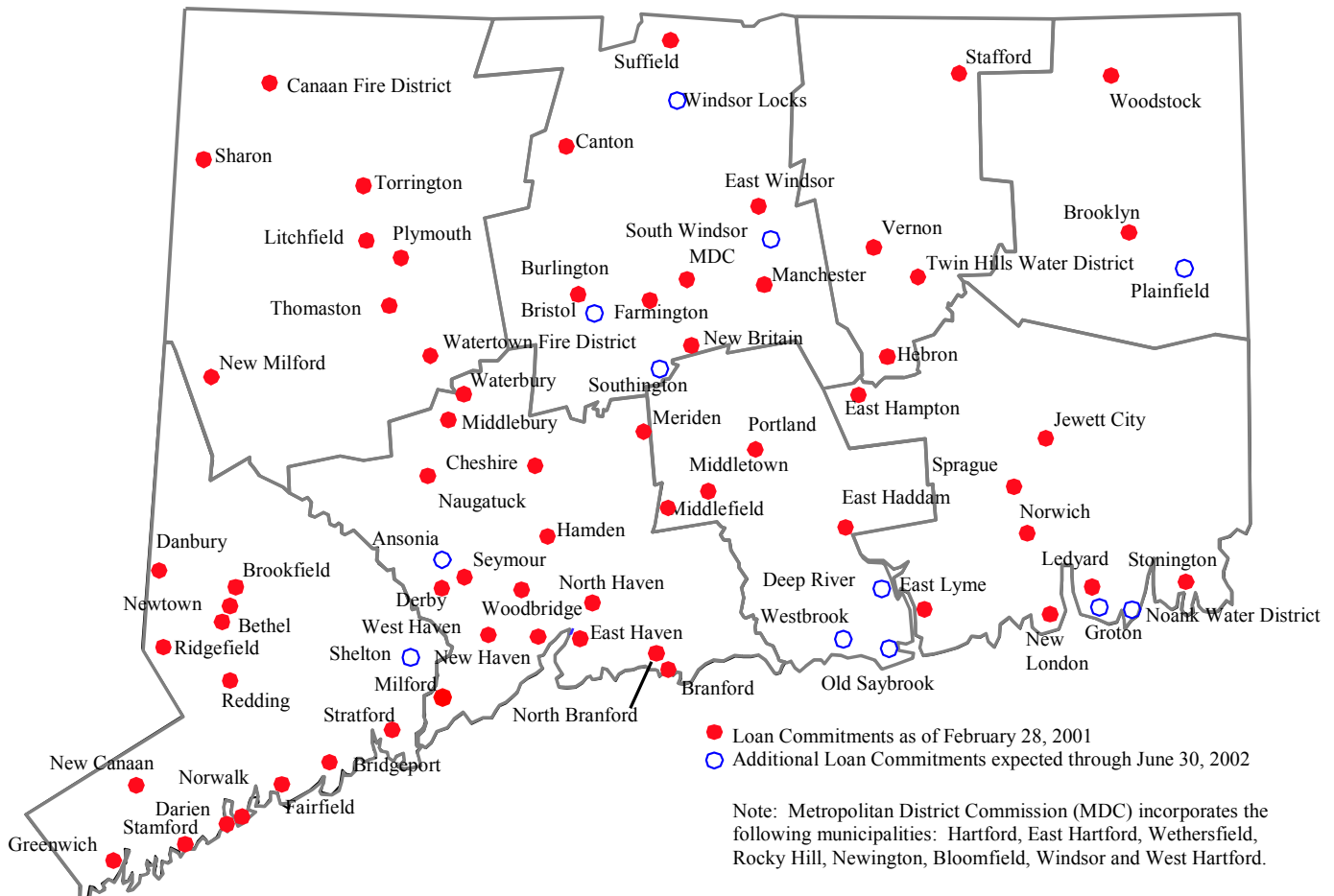
There follows for Borrowers a listing of (i) Loans from the Clean Water Fund outstanding as of February 28, 2001, (ii) undrawn Loan commitments and (iii) expected additional Loan commitments through June, 30, 2002. The following table does not include loans to certain municipalities funded entirely from State general obligation bond proceeds that are not included in the definition of "Loans" under the Resolution, the repayments on which are not "Pledged Receipts" under the Resolution.

**State of Connecticut Clean Water Fund Loans Outstanding at 2/28/2001 and Expected Additional Commitments to 6/30/2002**

Name	Loans Outstanding As of 2/28/2001 <sup>1</sup>	Undrawn Loan Commitments <sup>2</sup>	Expected Additional Loan Commitments Through 6/30/2002 <sup>3</sup>	Total Commitments <sup>4</sup>
Ansonia			\$ 1,063,440	\$ 1,063,440
Bethel	\$ 6,152,520			6,152,520
Branford	9,668,996	\$ 13,691,412		23,360,408
Bridgeport	39,243,657	862,508	8,636,425	48,742,590
Bristol			3,242,232	3,242,232
Brookfield	1,450,890			1,450,890
Brooklyn	247,156			247,156
Burlington	1,825,943		320,000	2,145,943
Canaan FD	86,482			86,482
Canton	1,487,808			1,487,808
Cheshire	8,955,462		160,000	9,115,462
Danbury	32,153,676		280,000	32,433,676
Darien	707,034	491,766		1,198,800
Deep River			2,400,000	2,400,000
Derby	2,230,068			2,230,068
East Haddam	1,273,744			1,273,744
East Hampton	539,958		1,571,950	2,111,908
East Haven	191,092			191,092
East Lyme	12,083,606		995,000	13,078,606
East Windsor	8,461,078			8,461,078
Fairfield	19,951,479	14,787,181		34,738,660
Farmington	12,837,793			12,837,793
Greenwich	24,002,615		13,721,000	37,723,615
Groton			14,705,000	14,705,000
Hamden	64,207		200,000	264,207
Hebron	7,011,172			7,011,172
Jewett City	67,650		6,400,000	6,467,650
Ledyard	2,462,784			2,462,784
Litchfield	1,241,804	396,294	3,600,000	5,238,098
Manchester	7,926,290			7,926,290
MDC	35,278,073	18,381,952	7,880,000	61,540,026
Meriden	1,969,862			1,969,862
Middlebury	391,747			391,747
Middlefield	5,373,989	200,024		5,574,012
Middletown	12,880,925	388,686	1,125,000	14,394,611
Milford	115,185			115,185
Naugatuck	1,858,233			1,858,233
New Britain	8,466,401	4,216,586	12,660,000	25,342,987
New Canaan	11,432,212			11,432,212
New Haven	16,688,667	7,617,773	6,997,131	31,303,571
New London	7,300,463	1,511,142		8,811,605
New Milford	3,889,455		2,850,000	6,739,455
Newtown	17,465,917			17,465,917
Noank WD			268,250	268,250
North Branford	4,539,161			4,539,161
North Haven	10,022,100		113,600	10,135,700
Norwalk	45,133,775	6,260,723		51,394,498
Norwich	4,977,268	2,910,012		7,887,280
Old Saybrook			3,200,000	3,200,000
Plainfield			1,600,000	1,600,000
Plymouth	6,495,022			6,495,022
Portland	5,510,625	1,031,647		6,542,273
Redding	1,017,307			1,017,307
Ridgefield	7,137,404			7,137,404
Seymour	9,291,123			9,291,122
Sharon	1,974,223	362,010	995,000	3,331,232
Shelton			920,000	920,000
Southington			1,190,000	1,190,000
South Windsor			800,000	800,000
Sprague	188,998			188,998
Stafford	581,884			581,884
Stamford	6,139,740		66,000,000	72,139,740
Stonington	3,552,197			3,552,197
Stratford	3,435,331		12,150,000	15,585,331
Suffield	5,892,379			5,892,379
Thomaston	9,416,139	1,286,657		10,702,797
Torrington	8,564,862		450,000	9,014,862
Twin Hills WD	193,689			193,689
Vernon	23,024,142			23,024,142
Waterbury	97,741,086	6,578,361	6,457,578	110,777,025
Watertown FD	529,826	950,000	435,500	1,915,326
Westbrook			3,200,000	3,200,000
West Haven	19,447,952	4,377,436		23,825,388
Windsor Locks			1,715,670	1,715,670
Woodbridge	311,213			311,213
Woodstock	1,306,127			1,306,127
Totals: <sup>5</sup>	\$ 601,859,666	\$ 86,302,171	\$ 188,302,776	\$ 876,464,612

- (1) Funded from proceeds of federal grants, State general obligation bond proceeds and Bond proceeds. Repayments by the municipalities are Pledged Receipts under the Resolution.
- (2) Consists of undrawn amounts under executed Loan Agreements to be funded from State general obligation bond proceeds, the Bonds and, subject to legislative authorization, additional Bond proceeds. All repayments by the municipalities are Pledged Receipts under the Resolution.
- (3) Consists of anticipated Loans for which no Loan Agreement has yet been executed, to be funded from State general obligation bond proceeds, the Bonds and, subject to legislative and State Bond Commission authorization, additional Bond proceeds. Certain of the anticipated Loans also will require State Bond Commission authorization. All repayments by the municipalities are Pledged Receipts under the Resolution.
- (4) Total Commitments is the sum of Loans Outstanding as of February 28, 2001, Undrawn Loan Commitments and Expected Additional Loan Commitments through June 30, 2002. Total Commitments does not reflect projected amortization through June 30, 2002 of Loans Outstanding.
- (5) Totals may not add due to rounding.

The following map of the State indicates the location of the Borrowers that are participating in the Clean Water Fund:



Set forth in Appendix A is certain information regarding the Borrowers whose Loans, including current and anticipated Loan commitments through June 30, 2002, are expected to exceed 10% of the aggregate outstanding principal amount of the Bonds and the subordinate refunding bonds, including the 2001 Bonds (but excluding the Bonds refunded by the subordinate refunding bonds). Appendix A of this Official Statement should be read in light of the fact that Loan amounts may change, other Borrowers may be substituted, and additional Borrowers may be added in the future. Further, an identified Borrower may fall below the 10% threshold and thereafter may be released from its obligations under its Continuing Disclosure Agreement. See "CONTINUING DISCLOSURE AGREEMENTS" and Appendix G. The specific amounts loaned to the municipalities will generally depend upon the actual progress of construction of such municipalities' Projects.



## PLAN OF FINANCE

The State will allocate the proceeds of the 2001 Bonds between the SRF Programs with approximately \$70 million being allocated to the Wastewater Program and \$30 million being allocated to the Drinking Water Program.

Upon issuance of the 2001 Bonds, an additional \$55 million will be deposited into the Debt Service Reserve Fund, anticipated to be comprised of \$10.4 million in taxable State general obligation bonds and \$44.6 million of other available moneys from the SRF Programs. See "SOURCES AND USES OF FUNDS" herein.

Amounts deposited in the Debt Service Reserve Fund (other than State general obligation bonds) are expected to be invested in an investment agreement as a permitted investment under the Resolution. See "SECURITY FOR THE BONDS -- Investment of Funds." It is anticipated that such investment agreement will permit the State to redeem up to the full principal amount thereof without penalty to the extent that funds held in the Debt Service Reserve Fund are required to pay debt service on the Bonds.

### SOURCES AND USES OF FUNDS

It is anticipated that the proceeds of the 2001 Bonds, State general obligation bonds and Clean Water Fund Available Moneys will be used as follows:

#### Sources

Principal Amount of 2001 Bonds	\$100,000,000
Net Original Issue Premium	1,665,954
Accrued Interest	144,279
State General Obligation Bonds <sup>(1)</sup>	14,003,696
Clean Water Fund Available Moneys <sup>(2)</sup>	<u>44,601,304</u>
<b>Total Sources</b>	<b>\$160,415,233</b>

#### Uses

Available for Loans <sup>(3)</sup>	\$100,000,000
Underwriters' Discount and Costs of Issuance	1,810,233
Deposit to Debt Service Reserve Fund <sup>(4)</sup>	55,000,000
Deposit to Interest Subsidy Fund	<u>3,605,000</u>
<b>Total Uses</b>	<b>\$160,415,233</b>

- (1) \$10,398,696 for deposit to the Debt Service Reserve Fund and \$3,605,000 for deposit to the Interest Subsidy Fund.
- (2) Clean Water Fund Available Moneys represent amounts in the Clean Water Fund to be contributed at closing to the Debt Service Reserve Fund, including amounts previously drawn from federal capitalization grants.
- (3) Includes Wastewater Program loans of \$10,921,526 funded with excess moneys available under the Resolution and Drinking Water Program loans of \$14,182,741 funded with drinking water federal capitalization grants and State Contributions. Such loans constitute Pledged Receipts.
- (4) Comprised of \$10,398,696 of State general obligation bonds, \$44,601,304 of Clean Water Fund Available Moneys (including \$6,730,000 previously drawn from wastewater federal capitalization grants and \$14,182,741 previously drawn from drinking water federal capitalization grants and State Contributions).

## DEBT SERVICE SCHEDULE

The following table sets forth the annual debt service requirements for the Outstanding Bonds and the 2001 Bonds, together with aggregate debt service on all Bonds and the subordinate refunding bonds:

<b>Period Ending June 30</b>	<b>Debt Service on Outstanding Bonds</b>	<b>Debt Service on 2001 Bonds(2)</b>	<b>Outstanding Total Debt Service on Bonds</b>	<b>Aggregate Debt Service on Subordinate Refunding Bonds</b>	<b>Debt Service on Bonds and Subordinate Refunding Bonds(3)</b>
2002	\$49,799,383	\$ 3,934,894	\$ 53,734,277	\$7,570,748	\$ 61,305,025
2003	44,203,649	4,721,873	48,925,522	7,610,594	56,536,116
2004	43,322,044	8,690,873	52,012,917	12,424,988	64,437,905
2005	42,385,931	8,617,073	51,003,004	17,048,778	68,051,782
2006	36,062,969	8,539,673	44,602,642	11,646,310	56,248,952
2007	35,204,881	8,463,573	43,668,454	11,558,008	55,226,462
2008	34,360,947	8,378,773	42,739,720	16,774,789	59,514,509
2009	33,461,124	8,290,373	41,751,497	16,448,198	58,199,695
2010	30,952,176	8,208,173	39,160,349	16,266,034	55,426,383
2011	28,397,694	8,117,268	36,514,962	15,831,020	52,345,982
2012	27,545,631	8,015,155	35,560,786	10,260,050	45,820,837
2013	24,867,375	7,908,828	32,776,203	11,561,969	44,338,171
2014	22,344,070	7,777,470	30,121,540	11,548,413	41,669,953
2015	21,831,186	7,620,613	29,451,799	4,408,656	33,860,455
2016	21,173,307	7,460,624	28,633,931	4,560,650	33,194,581
2017	20,554,698	7,288,730	27,843,428	1,400,825	29,244,253
2018	20,025,688	7,114,775	27,140,463		27,140,463
2019	14,816,863	6,946,745	21,763,608		21,763,608
2020	13,825,456	6,777,220	20,602,676		20,602,676
2021	7,502,650	6,593,875	14,096,525		14,096,525
2022	7,309,197	6,410,318	13,719,515		13,719,515
2023	<u>7,109,163</u>	<u>6,235,040</u>	<u>13,344,203</u>		<u>13,344,203</u>
TOTAL <sup>(1)</sup> :	\$ 587,056,082	\$ 162,111,933	\$ 749,168,014	\$ 176,920,026	\$ 926,088,040

(1) Totals may not add due to rounding.

(2) The principal payments on the 2001 Bonds will be payable on each October 1, commencing on October 1, 2003, and interest payments on the 2001 Bonds will be payable on each April 1 and October 1, commencing on October 1, 2001.

(3) Includes payments from the date of this Official Statement to the end of the period.

## SECURITY FOR THE BONDS

### Special Obligation

Debt Service on the 2001 Bonds is expected to be paid from Pledged Receipts, earnings on investments held in the Debt Service Reserve Fund and maturing principal and interest on investments held in the Interest Subsidy Fund. Pursuant to the Resolution, the Pledged Receipts, all funds and accounts established in connection with the issuance of the Bonds (including the Revenue Fund, Loan Fund, Debt Service Fund, Debt Service Reserve Fund, Interest Subsidy Fund and the Administrative Fund, but excluding the Rebate Fund), the investments thereof and the proceeds of such investments, if any, are pledged for the payment of the principal of, Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds in accordance with the terms and provisions of the Resolution. "Pledged Receipts" means payments of principal and interest on the Municipal Obligations, including both timely and delinquent payments with late charges, if any, and includes any Fees and Charges, fines and penalties collected or held by the State. Pledged Receipts includes the repayments of Loans made from either the Wastewater Program or the Drinking Water Program, including all Loans previously funded as well as future Loans. Although amounts attributable to each program will be tracked separately for the federal reporting purposes, all Pledged Receipts will secure all Bonds of the Clean Water Fund Program.

Each Municipal Obligation is secured by the full faith and credit of the Borrower and/or a dedicated source of revenue of such Borrower. Each Municipal Obligation will provide for repayment of the principal amount of the Loan it evidences, together with interest on the unpaid principal amount of such Loan. In addition to an obligation evidencing a Loan being funded from the proceeds of Bonds, "Municipal Obligation" includes the obligation of a municipality to pay principal of and interest on certain Loans funded from the proceeds of State general obligation bonds heretofore issued and federal capitalization grants heretofore received.

The pledge of the Resolution is valid and binding on the State and the Pledged Receipts and all other moneys and securities in the funds and accounts established by the Resolution and pledged thereunder are subject to the lien of such pledge without any physical delivery thereof or further act, and such lien is valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the State, irrespective of whether such parties have notice thereof.

### Flow of Funds

The following funds are created under the Resolution: the Loan Fund, the Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Interest Subsidy Fund, the Rebate Fund and the Administrative Fund. Moneys will be held in, and transfers will be made to, the separate accounts of such funds in accordance with the Resolution.

***Loan Fund.*** The proceeds of the 2001 Bonds will be deposited into the Loan Fund as specified and determined by the Series Resolution. Moneys in the Loan Fund will be expended only for the purposes of the Wastewater Program or the Drinking Water Program, including the financing of Loans to municipalities, and to the extent that other moneys are not available, for payments of principal of and interest on the Bonds when due.

***Revenue Fund.*** The Trustee will deposit all Pledged Receipts received by the Trustee into the Pledged Receipts Account, and will deposit all earnings on moneys and investments in all funds and accounts (except for earnings on amounts in the Rebate Fund and in the Federal Letter of Credit and Undesignated Accounts within the Debt Service Reserve Fund) into the Earnings Account, each established within the Revenue Fund. Upon deposit therein, amounts in the Pledged Receipts Account and the Earnings Account will be immediately transferred to the appropriate accounts of the Debt Service Fund for the payment of principal of and interest on the Bonds to the extent required to meet the Debt Service payments due during the period from the immediately preceding January 2 through the next succeeding January 1 in the following order of priority: first to the Interest Account for the payment of

interest, then to the Principal Account for the payment of principal and Sinking Fund Installments, if any. Then, to the extent moneys in the Pledged Receipts Account are available therefor, they will be transferred to the Debt Service Reserve Fund in the amount necessary to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement. Any moneys remaining in the Revenue Fund after the application of such moneys as described above will, upon the delivery of a cash flow sufficiency certificate of an Authorized Officer of the State, be withdrawn from the Revenue Fund, free and clear of the lien of the Resolution, and, after payment of debt service on any Subordinate Refunding Bonds, may be used for any SRF Program purpose. See "Subordinate Bonds" below.

***Debt Service Fund.*** Amounts on deposit in the Debt Service Fund will be used for the payment of debt service on the Bonds when due. Earnings on amounts in the Federal Letter of Credit and Undesignated Accounts within the Debt Service Reserve Fund will be deposited into the Debt Service Fund Earnings Account, established within the Debt Service Fund, and applied to pay Debt Service on the Bonds prior to the application of other Pledged Receipts and revenues for such purpose. Whenever the moneys in the Debt Service Fund are insufficient to pay the interest, principal and Sinking Fund Installments coming due on Outstanding Bonds, the Trustee will apply amounts from the following Funds to the extent necessary to compensate for the deficiency in the following order of priority:

(a) In the event of deficiencies in the Interest Account, after all transfers from the Revenue Fund have been made pursuant to the Resolution, moneys will be transferred: first, from the Debt Service Reserve Fund; second, from the Interest Subsidy Fund; and third, from the Principal Account of the Debt Service Fund, in all cases to the Interest Account of the Debt Service Fund on the day immediately preceding the applicable Interest Payment Date in an amount, to the extent moneys are available therefor, sufficient to cause the amount on deposit therein to equal the amount of the interest payment next coming due; and

(b) In the event of deficiencies in the Principal Account, after all transfers from the Revenue Fund have been made pursuant to the Resolution, and there are on deposit in the Interest Account of the Debt Service Fund amounts sufficient to pay the next interest payment coming due, moneys will be transferred: first, from the Debt Service Reserve Fund; and second, from the Interest Subsidy Fund, in all cases to the Principal Account of the Debt Service Fund on the day immediately preceding the date on which the applicable principal payment or Sinking Fund Installment is due in an amount, to the extent moneys are available therefor, sufficient to cause the amount on deposit therein to equal the amount of the Principal Installment next coming due.

The Trustee will pay out of the Redemption Account of the Debt Service Fund on each Redemption date (as set forth in a Series Resolution) for any Bonds for which there has not been made Sinking Fund Installments, the amounts required for the payment of such Redemption Price on the Redemption Date.

***Debt Service Reserve Fund.*** The Debt Service Reserve Fund is required to be funded in an amount equal to 50% of all Outstanding Bonds. Such Fund will be funded with (i) federal capitalization grant payments made pursuant to federal capitalization grant agreements, (ii) State general obligation bonds and, (iii) other amounts provided by the State and received by the Trustee for deposit therein. The federal capitalization grant moneys will be paid in amounts corresponding to costs incurred in the construction of certain Projects, and such moneys will be deposited into the Debt Service Reserve Fund. All amounts and investments held in the Debt Service Reserve Fund will be available for the payment of principal and interest on the Bonds.

***Interest Subsidy Fund.*** The Interest Subsidy Fund has been established outside of the SRF Program, and will be funded in an amount equal to the aggregate debt service payable on Outstanding Bonds minus (a) earnings on investments held in the Debt Service Reserve Fund, (b) repayments of Municipal Obligations, (c) amounts on deposit in the Revenue Fund at the beginning of the applicable period and (d) earnings on certain funds or on such amounts expected to be transferred or received during the applicable period. Moneys in the Interest Subsidy Fund will be used to pay the interest, principal, and Sinking Fund Installments due on Bonds, as provided in the Resolution. The Interest Subsidy Fund will be funded from maturing principal and interest on State general obligation bonds held in such fund.

## **Cross-Collateralization**

Both the Drinking Water Program and the Wastewater Program make Loans from the Clean Water Fund on a parity basis. Loan repayments from both SRF Programs are deposited to the Clean Water Fund. The Debt Service Reserve Fund which secures Loans for both SRF Programs is maintained in an amount at least equal to 50% of the Bonds outstanding and is available on a parity basis for all Bondholders. The cross-collateralization of the SRF Programs has been structured in accordance with the EPA regulations, interpretations and guidance (collectively, the "Federal Environmental Law") and the Resolution, as amended and supplemented.

## **Investment of Funds**

The State may invest moneys under the Resolution in any Investment Obligations.

The State currently invests a significant portion of the funds and accounts created under the Resolution in investment agreements with financial institutions. The Resolution requires that such investment agreements be with, or be guaranteed by, institutions with ratings at least equal to the rating on the Bonds given by Standard & Poor's and Moody's Investors Service or any rating service recognized by the State banking commissioner, provided that such institutions will have a rating from Standard & Poor's and Moody's Investors Service at least equal to the rating on the Bonds. Certain moneys currently held in the Debt Service Reserve Fund are invested pursuant to investment agreements, collateralized with securities issued or guaranteed by the U.S. Government or agencies or instrumentalities thereof whose market value is at least 100% of the funds invested, with the following entities:

AIG Matched Funding Corp., guaranteed by American International Group, Inc.

AIG Financial Products (Jersey) Limited, guaranteed by American International Group, Inc.

CDC Funding Corp., guaranteed by Caisse Des Dépôts et Consignations.

Société Générale (New York Branch), payment obligations guaranteed by Financial Security Assurance Inc.

Concurrently with the issuance and delivery of the 2001 Bonds, the State will enter into investment agreements with CDC Funding Corp., guaranteed by Caisse Des Dépôts et Consignations, and Trinity Plus Funding Company, LLC for the investment of the net proceeds of the 2001 Bonds and amounts to be deposited in the Debt Service Reserve Fund in connection with issuance of the 2001 Bonds (other than amounts held as State general obligation bonds).

Such agreements are subject to early termination upon certain events. In addition, such agreements may be subject to certain other risks, including the bankruptcy or insolvency of the party with which such funds have been invested under such agreements or which has guaranteed such agreements.

## **Additional Bonds**

Additional Series of Bonds may be issued from time to time on a parity with the outstanding Bonds, and may be secured by an equal charge and lien on the Municipal Obligations payments, and are payable equally and ratably from the Debt Service Fund, the Debt Service Reserve Fund and the Interest Subsidy Fund, for the purposes of making payments permitted pursuant to the Resolution into the proper designated funds or accounts. No additional Series of Bonds may be issued unless: (1) the principal amount of the additional Bonds then to be issued, together with the principal amount of the Bonds theretofore issued, will not exceed in aggregate principal amount any limitation thereon imposed by law; (2) the amount of the Debt Service Reserve Fund, upon the issuance and delivery of such additional Bonds and the deposit in the Debt Service Reserve Fund of any amount or obligation provided therefor in the Series Resolution authorizing the issuance of such additional Bonds, will not be less than the Debt Service Reserve Fund

Requirement applicable to all Bonds issued under the Resolution; (3) an Authorized Officer delivers to the Trustee a certificate stating that, upon the delivery date of such additional Bonds (unless such additional Bonds are being issued to refund Outstanding Bonds and a cash flow sufficiency certificate is not required to be delivered in accordance with the provisions of the Resolution), there will be on deposit in the Interest Subsidy Fund permitted investments bearing interest at such rate or rates and having such principal maturities that for each payment period for the Outstanding Bonds (including the Bonds then being issued), the amount of principal and interest payable on such Interest Subsidy Fund investments equals or exceeds the Interest Subsidy Fund Requirement (as defined in the Resolution) calculated on such date of delivery. The Resolution also permits the issuance of Refunding Bonds. See Appendix D -- "Summary of Certain of the Provisions of the Resolution -- Refunding Bonds."

### **Bond Anticipation Notes**

Whenever the State authorizes the issuance of a Series of Bonds, the Treasurer is authorized to issue notes (and renewals thereof) in anticipation of such Series. The principal of and interest on such notes and renewal thereof will be payable solely from the proceeds of such notes or renewals thereof or from the proceeds of the sale of the Series of Bonds in anticipation of which such notes are issued. The proceeds of such Bonds may be pledged for the payment of the principal of and interest on such notes and any such pledge will have a priority over any other pledge of such proceeds created by the Resolution. Notes will not be secured by the Debt Service Reserve Fund, the Interest Subsidy Fund or any fund or account established under the Resolution.

### **Subordinate Bonds**

The State has reserved the right to issue additional subordinate refunding bonds under the subordinate refunding bond resolution. Payment of debt service on the subordinate refunding bonds will be made principally from amounts released as excess funds from the Revenue Fund under the Resolution, subject to the availability of such released funds in accordance with the provisions of the Resolution.

### **State General Taxing Power Not Pledged**

Pursuant to the State Act, the 2001 Bonds shall be special obligations of the State and shall not be payable from nor charged upon any funds other than the Pledged Receipts or other receipts, funds or moneys pledged therefor as provided in the State Act, nor shall the State or any political subdivision thereof be subject to any liability thereon, except to the extent of the Pledged Receipts and such other receipts, funds or moneys pledged therefor. The issuance of the 2001 Bonds under the State Act and the Resolution shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor, or to make any additional appropriation for their payment. The 2001 Bonds shall not constitute a charge, lien, encumbrance or mortgage, legal or equitable, upon any property of the State or of any political subdivision thereof, other than the Pledged Receipts and other receipts, funds or moneys pledged therefor. The 2001 Bonds shall not be subject to any statutory limitation on the indebtedness of the State and, when issued, shall not be included in computing the aggregate indebtedness of the State with respect to and to the extent of any such limitation.

## **AUTHORIZATION FOR THE BONDS**

### **Legal Authority -- State Bond Commission**

The State will issue the 2001 Bonds pursuant to the State Act and the Resolution. Under the terms of the State Act, the State Bond Commission (established pursuant to Section 3-20 of the General Statutes of Connecticut, as amended) is empowered to authorize revenue bonds in accordance with the permitted uses of the Clean Water Fund including the Wastewater Program and the Drinking Water Program, subject to the legislative authorizations of additional Bonds, and to authorize the execution of the Resolution as a contract of the State with the holders of the Bonds.

The State Bond Commission consists of the Governor, the Treasurer, the Comptroller, the Attorney General, the Secretary of the Office of Policy and Management, the Commissioner of the Department of Public Works and the Co-chairpersons and the Ranking Minority Members of the Joint Standing Committee on Finance, Revenue and Bonding of the General Assembly. The Secretary of the Office of Policy and Management serves as secretary to the State Bond Commission.

### **Agreement of the State**

In consideration of the purchase and acceptance of the Bonds by purchasers or subsequent holders of the Bonds, the provisions of the Resolution will constitute a contract among the State, the Trustee and the holders from time to time of all Bonds issued under the Resolution, including the 2001 Bonds. The provisions, covenants and agreements of the Resolution set forth to be performed on behalf of the State will be for the equal benefit, protection and security of the Holders of any and all of the Bonds issued under the Resolution, including the 2001 Bonds, all of which, regardless of the time or times of their issue or maturity, will be of equal rank without preference, priority or distinction of any of the Bonds over any other therefor except as expressly provided in the Resolution.

## **DESCRIPTION OF THE 2001 BONDS**

### **General**

***Interest and Principal Payment Dates, Places and Payees.*** The 2001 Bonds will be dated June 1, 2001 and will bear interest therefrom, payable on April 1 and October 1 of each year, commencing October 1, 2001, and will mature on October 1 in the years and in the principal amounts set forth on the inside cover page hereof. The principal of, premium, if any, and interest on the 2001 Bonds will be payable at the corporate trust office of the Trustee in Hartford, Connecticut, or at the office of the Paying Agent in Boston, Massachusetts, or at the office designated for such payment by the Trustee or any successor Trustee. Interest on the 2001 Bonds will be payable to the person appearing on the registration books of the Trustee as the registered owner thereof on the Record Date by check or draft mailed on the interest payment date to the registered owner or, following appropriate notice to the Trustee, by wire transfer on the interest payment date to any owner of at least \$1,000,000 in aggregate principal amount of the 2001 Bonds. As long as the 2001 Bonds are registered in book-entry-only form, principal and interest will be payable solely to Cede & Co., as nominee of DTC, as the sole registered owner of the 2001 Bonds. The Resolution establishes the fifteenth day preceding each interest payment date as the Record Date for such interest payment date.

***Registration, Transfer and Exchange.*** The 2001 Bonds are issuable as fully registered bonds in any denomination constituting an integral multiple of \$5,000 not exceeding the aggregate principal amount of the 2001 Bonds. The 2001 Bonds may be transferred or exchanged, upon presentation or surrender, as the case may be, at the corporate trust office of the Trustee in Hartford, Connecticut, or at the office of the Paying Agent in Boston, Massachusetts as provided in the Resolution. Any 2001 Bonds, upon surrender thereof at the corporate trust office or at said paying agency office of the Trustee, with a written instrument of transfer satisfactory to the Trustee, duly executed in writing, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of 2001 Bonds of the same series, maturity and initial rate of any other authorized denominations. For every exchange or transfer of the 2001 Bonds, the State may make a charge sufficient to reimburse it for any tax, fee or other government charge required to be paid with respect to such exchange or transfer.

### **Redemption**

***Optional Redemption.*** The 2001 Bonds maturing on or after October 1, 2012 will be subject to redemption in whole at any time or in part on any interest payment date, at the option of the State, from any moneys available therefor on and after October 1, 2011 at a Redemption Price (expressed as percentages of the principal amount of such 2001 Bonds or portions thereof to be redeemed) equal to 100% of the principal amount to be redeemed, together with accrued and unpaid interest to the redemption date.

***Selection of Bonds to be Redeemed.*** If less than all of the 2001 Bonds of a particular maturity are redeemed, the 2001 Bonds of such maturity to be redeemed will be selected by lot by the Trustee. Bonds (or portions thereof) may be redeemed only in a principal amount equal to \$5,000 or any integral multiple thereof, with each \$5,000 of principal amount to be redeemed considered as one Bond.

If the 2001 Bonds are being held by DTC under the book-entry-only system and less than all of such 2001 Bonds within a maturity are being redeemed, DTC's current practice is to determine by lot the amount of the interest of each Direct Participant (as hereinafter defined) in such maturity to be called for redemption, and each Direct Participant is to then select by lot the ownership interest in such maturity to be redeemed.

***Notice to Bondholders.*** Notice of redemption of 2001 Bonds will be mailed, not less than 30 nor more than 60 days prior to the date of redemption, to the registered owners of the 2001 Bonds, or portions thereof, so called, but the failure to mail such notice with respect to any particular 2001 Bonds will not affect the validity of such call for redemption of any 2001 Bonds with respect to which no such failure has occurred. All 2001 Bonds called for redemption will cease to bear interest on the specified redemption date, provided that funds sufficient for the redemption of such 2001 Bonds in accordance with the Resolution are on deposit with the Trustee. If such moneys are not available on the redemption date, the 2001 Bonds or portions thereof will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption. On presentation and surrender of the 2001 Bonds called for redemption at the place or places of payment, such 2001 Bonds will be paid and redeemed.

If, at the time of mailing of the notice of any optional redemption, there has not been deposited with the Trustee moneys sufficient to redeem all the 2001 Bonds called for redemption, the notice may state that it is conditional on the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date. Such notice will be of no effect and the Redemption Price for such optional redemption will not be due and payable unless such moneys are so deposited.

### **Book-Entry-Only System**

*Portions of the following information concerning DTC and DTC's book-entry-only system have been obtained from DTC. The State, Bond Counsel and the Underwriters make no representation as to the accuracy of such information.*

Initially, DTC will act as securities depository for the 2001 Bonds and the 2001 Bonds initially will be issued solely in book-entry-only form to be held under DTC's book-entry-only system, registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered bond certificate will be issued for each maturity of the 2001 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (the "Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.



Purchases of the 2001 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2001 Bonds on the records of DTC. The ownership interest of each actual purchaser of each 2001 Bond (the "Beneficial Owner") will be recorded on the records of the Direct and Indirect Participants. Beneficial Owners will not receive a written confirmation from DTC of their purchase but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2001 Bonds will be accomplished by entries made on the books of the Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the 2001 Bonds, except in the event that use of the book-entry system for the 2001 Bonds is discontinued.

To facilitate subsequent transfers, all 2001 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 2001 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2001 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2001 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

So long as Cede & Co. is the registered owner of the 2001 Bonds, as nominee of DTC, references herein to the Bondowners or registered owners of the 2001 Bonds will mean Cede & Co., and will not mean the Beneficial Owners of the 2001 Bonds.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices will be sent to Cede & Co. If less than all of the 2001 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the 2001 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2001 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2001 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on each payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on such payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Paying Agent or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee, disbursements of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

In the event that (a) DTC determines to discontinue providing its service with respect to the 2001 Bonds by giving reasonable notice to the State and discharging its responsibilities with respect thereto under applicable law and the State fails to appoint a successor securities depository for the 2001 Bonds, or (b) the State determines to discontinue the system of the book-entry transfer through DTC (or a successor securities depository), bond certificates are required to be delivered as described in the 2001 Bonds. The Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the registered owner of the 2001 Bonds.

THE STATE, THE TRUSTEE AND THE PAYING AGENT WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER

OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A REGISTERED OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT OF ANY AMOUNT DUE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF OR INTEREST ON THE 2001 BONDS; (3) THE DELIVERY OF ANY NOTICE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED TO BE GIVEN TO REGISTERED OWNERS UNDER THE TERMS OF THE RESOLUTION; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE 2001 BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER.

The State, the Trustee and the Paying Agent cannot and do not give any assurances that DTC will distribute payments on the 2001 Bonds made to DTC or its nominee as the registered owner or any redemption or other notices, to the Participants, or that the Participants or others will distribute such payments or notices to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

### **ABSENCE OF LITIGATION**

Upon delivery of the 2001 Bonds, the State will furnish a certificate of the Attorney General of the State, dated the date of delivery of the 2001 Bonds, to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the 2001 Bonds, or in any way contesting or affecting the validity or enforceability of the 2001 Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the 2001 Bonds. In addition, such certificate will state that, except as disclosed by cross-reference to Appendix C to this Official Statement, there is no controversy or litigation of any nature now pending or threatened by or against the State which, in the opinion of the Attorney General, will be finally determined so as to result individually or in the aggregate in a final judgment against the State which would materially adversely affect the financial condition of the State or the Clean Water Fund or the power of the State to collect and enforce the collection of the Pledged Receipts or other revenues, receipts, funds or moneys pledged for payment of the 2001 Bonds.

Each Borrower's Town Attorney, City Attorney, General Counsel, Bond Counsel or other attorney, as applicable, has provided or will provide a certificate to the effect that there is no controversy or litigation of any nature, pending or threatened against the Borrower contesting or affecting the validity or enforceability of the Municipal Obligations or the use of proceeds of the Municipal Obligations. In addition, such certificate will state that there is no controversy or litigation of any nature now pending or threatened by or against the Borrower which could have a material adverse impact on the financial condition of the Borrower or adversely affect the power of the Borrower to levy, collect and enforce the collection of taxes or other revenues for the payment of its Municipal Obligations which has not been disclosed to the State.

### **LEGALITY FOR INVESTMENT**

Under the provisions of the State Act, the 2001 Bonds are securities in which all public officers and public bodies of the State and its political subdivisions, all insurance companies, credit unions, building and loan associations, investment companies, banking associations, trust companies, executors, administrators, trustees and other fiduciaries and pension, profit-sharing and retirement funds may properly and legally invest funds, including capital in their control or belonging to them. Pursuant to the State Act, the 2001 Bonds are made securities which may properly and legally be deposited with and received by any State or municipal officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds, State bond anticipation notes, State grant anticipation notes or other obligations of the State is now or may hereafter be authorized by law.

## **CERTAIN LEGAL MATTERS**

Legal matters incident to the issuance of the 2001 Bonds and with regard to the status of the interest thereon, and incident to the issuance of the State general obligation bonds deposited to the Debt Service Reserve Fund and the Interest Subsidy Fund, are subject to the legal opinion of Nixon Peabody LLP, Hartford, Connecticut, and the Hardwick Law Firm LLC, Kansas City, Missouri, Co-Bond Counsel. Signed copies of the opinion, dated and speaking only as of the date of original delivery of the 2001 Bonds, will be delivered to the Underwriters at the time of such original delivery and the form of the opinion is set forth as Appendix H to this Official Statement. Certain legal matters will be passed upon for the Underwriters by Shipman & Goodwin LLP, Hartford, Connecticut, as Underwriters' Counsel.

Bond Counsel for each Borrower has rendered or will render to the State an opinion to the effect that (subject to certain exceptions for bankruptcy, insolvency and laws affecting creditors' rights and remedies), upon the disbursement of proceeds of a Loan, such Borrower's Municipal Obligation is a valid and legally binding obligation of such Borrower for which such Borrower has validly pledged its full faith and credit and/or for which certain special revenues are validly pledged and creates a valid lien upon such revenues, and that (subject to the aforesaid exceptions) such Borrower's Loan Agreement is a valid and binding obligation of the Borrower, enforceable against it in accordance with its terms.

## **TAX EXEMPTION**

### **Federal Income Taxes**

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the 2001 Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2001 Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the 2001 Bonds. The State has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the 2001 Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code.

In the opinion of Co-Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, interest on the 2001 Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. Co-Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the 2001 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

### **State Taxes**

Co-Bond Counsel is also of the opinion that interest on the 2001 Bonds is excluded from Connecticut income tax on individuals, trusts and estates and from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Interest on the 2001 Bonds is included in gross income for purposes of the Connecticut corporation business tax.

### **Original Issue Premium**

All of the 2001 Bonds maturing on October 1, 2003 through 2008, and a portion of the 2001 Bonds maturing on October 1, 2013 through 2017 as well as on October 1, 2019 and 2020 (collectively, the "Premium Bonds") are being offered at prices in excess of their principal amounts. Co-Bond Counsel are of the opinion that an initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable

bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such 2001 Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

### **Certain Federal Tax Information**

**General.** The following is a discussion of certain additional tax matters under existing statutes. It does not purport to deal with all aspects of Federal taxation that may be relevant to particular investors. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2001 Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

**Social Security and Railroad Retirement Payments.** The Code provides that interest on tax-exempt obligations is included in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement benefits received are to be included in taxable income.

**Branch Profits Tax.** The Code provides that interest on tax-exempt obligations is included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States.

**Borrowed Funds.** The Code provides that interest paid (or deemed paid) on borrowed funds used during a tax year to purchase or carry tax-exempt obligations is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though borrowed funds are not directly traceable to the purchase of such obligations.

**Property and Casualty Insurance Companies.** The Code contains provisions relating to property and casualty insurance companies whereunder the amount of certain loss deductions otherwise allowed is reduced (in certain cases below zero) by a specified percentage of, among other things, interest on tax-exempt obligations acquired after August 7, 1986.

**Financial Institutions.** The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than certain "qualified" obligations. The 2001 Bonds are not "qualified" obligations for this purpose.

**S Corporations.** The Code imposes a tax on excess net passive income of certain S corporations that have subchapter C earnings and profits. Interest on tax-exempt obligations must be included in passive investment income for purposes of this tax.

**Earned Income Credit.** For any taxable year beginning after December 31, 1995, the Code denies the earned income credit to persons otherwise eligible for it if the aggregate amount of disqualified income of the taxpayer for the

taxable year exceeds \$2,200, subject to the adjustment for inflation for taxable years beginning after December 31, 1996. Interest on the 2001 Bonds will constitute disqualified income for this purpose.

**Changes in Federal Tax Law and Post Issuance Events.** From time to time proposals are introduced in Congress that, if enacted into law, could have an adverse impact on the potential benefits of the exclusion from gross income for Federal income tax purposes of the interest on the 2001 Bonds, and thus on the economic value of the 2001 Bonds. This could result from reductions in Federal income tax rates, changes in the structure of the Federal income tax rates, changes in the structure of the Federal income tax or its replacement with another type of tax, repeal of the exclusion of the interest on the 2001 Bonds from gross income for such purposes, or otherwise. It is not possible to predict whether any legislation having an adverse impact on the tax treatment of holders of the 2001 Bonds may be proposed or enacted.

Co-Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the 2001 Bonds may affect the tax status of interest on the 2001 Bonds. Co-Bond Counsel expresses no opinion as to any Federal, State or local tax law consequences with respect to the 2001 Bonds, or the interest thereon, if any action is taken with respect to the 2001 Bonds or the proceeds thereof upon the advice or approval of other counsel.

### **CONTINUING DISCLOSURE AGREEMENTS**

Sections 3-20 and 3-20e of the Connecticut General Statutes, as amended, give the State and political subdivisions of the State the specific authority to enter into continuing disclosure agreements in accordance with the requirements of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). The State will enter into a Continuing Disclosure Agreement with respect to the 2001 Bonds for the benefit of the beneficial owners of the Bonds, substantially in the form included in Appendix G to this Official Statement (the "State Continuing Disclosure Agreement"), pursuant to which the State will agree to provide or cause to be provided, in accordance with the requirements of the Rule (i) certain annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the 2001 Bonds and (iii) timely notice of a failure by the State to provide the required annual financial information on or before the date specified in the State Continuing Disclosure Agreement.

The Borrowers identified in Appendix A also will enter into separate Municipal Continuing Disclosure Agreements with respect to the 2001 Bonds for the benefit of the beneficial owners of the Bonds, substantially in the form included in Appendix G to this Official Statement (the "Municipal Continuing Disclosure Agreements"), pursuant to which each of such Borrowers will agree to provide or cause to be provided, in accordance with the requirements of the Rule, (i) certain annual financial information and operating data and (ii) timely notice of a failure by such Borrower to provide the required annual financial information on or before the date specified in the Municipal Continuing Disclosure Agreement. Each Borrower's obligation will terminate at such time as the State determines that the Borrower ceases to be an obligated person meeting the Objective Criteria set forth in its Municipal Continuing Disclosure Agreement. See Appendix G.

The State and certain Borrowers have previously undertaken in Continuing Disclosure Agreements entered into for the benefit of holders of certain of the Bonds to provide certain annual financial information and (with respect to the State only) event notices pursuant to the Rule. Neither the State nor any such Borrowers have defaulted in their obligations to provide the annual financial information pursuant to the Continuing Disclosure Agreements executed in connection with the sale of certain of the Bonds.

The Underwriters' obligation to purchase the 2001 Bonds will be conditioned upon their receiving, at or prior to the delivery of the 2001 Bonds, executed copies of the State Continuing Disclosure Agreement and each Municipal Continuing Disclosure Agreement.

## **UNDERWRITING**

The aggregate initial offering price of the 2001 Bonds to the public is \$101,665,953.90 plus accrued interest and UBS PaineWebber Inc., as representatives of the Underwriters, has agreed, subject to certain conditions precedent to closing, to purchase the 2001 Bonds from the State at an aggregate purchase price of \$100,973,211.21, plus accrued interest. The Underwriters will be obligated to purchase all of the 2001 Bonds, if such 2001 Bonds are purchased. The 2001 Bonds may be offered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the 2001 Bonds into investment trusts) at prices lower than such initial public offering prices, and such initial public offering prices may be changed, from time to time, by the Underwriters.

## **RATINGS**

Moody's Investors Service, Inc., Standard & Poor's Ratings Services, and Fitch, Inc. have assigned their municipal bond ratings of Aaa, AAA, and AAA, respectively, to the 2001 Bonds. Each such rating reflects only the views of the respective rating agency, and an explanation of the significance of such rating may be obtained from such rating agency. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by such rating agency if in the judgment of such rating agency circumstances so warrant. A revision or withdrawal of any such rating may affect the market price of the Bonds, including the 2001 Bonds.

## **FINANCIAL ADVISORS**

Lamont Financial Services Corporation and P. G. Corbin & Company, Inc., have served as the Financial Advisors to the State with respect to the sale of the 2001 Bonds. The Financial Advisors have assisted in various matters relating to the planning, structuring and issuance of the 2001 Bonds. The Financial Advisors have also assisted the State in certain matters relating to the Clean Water Fund.

## **FINANCIAL STATEMENTS**

Included in Appendix B are the audited financial statements of the State's Clean Water Fund and the Drinking Water Fund as of June 30, 1999 and 2000 and the report thereon dated September 6, 2000 of DiSanto Bertoline & Company, P.C., independent public accountants. Such audited financial statements have been included herein in reliance upon the reports of such firm as experts in auditing and accounting.

## **ADDITIONAL INFORMATION**

The references herein to and summaries of federal, State and local laws, including but not limited to the Code, and laws of the State, the State Act, the Clean Water Act, and documents, agreements and court decisions, including but not limited to the Resolution, the Loan Agreements and the Municipal Obligations, are summaries of certain provisions thereof. Such summaries do not purport to be complete and are qualified in their entirety by reference to such acts, laws, documents, agreements or decisions. Copies of the Resolution, the Loan Agreements and the Municipal Obligations are available for inspection during normal business hours at the Office of the Treasurer.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. Neither this Official Statement nor any statement that may have been made orally or in writing shall be construed as a contract or as a part of a contract with the original purchasers or any holders of the 2001 Bonds.

STATE OF CONNECTICUT

By: /s/ Denise L. Nappier  
*Hon. Denise L. Nappier*  
*State Treasurer*

Dated at Hartford, Connecticut  
this 24<sup>th</sup> day of May, 2001

---

**THIS PAGE INTENTIONALLY  
LEFT BLANK**

---



**MUNICIPALITY INFORMATION**

**PART I - GENERAL INFORMATION**

The following information is a brief summary of certain State law provisions governing the operation of Municipalities. The term "Municipality" includes a town, city, borough, consolidated town and city, consolidated town and borough (collectively "Towns"), and a metropolitan district, fire and sewer district, sewer district, or village district, as well as any other municipal organization having authority to levy and collect taxes or make charges for its authorized function (collectively "Districts").

**Forms of Municipal Government**

The legislative powers of Towns may be vested in a: (a) town meeting; (b) representative town meeting; (c) board of selectmen, town or common council, board of directors, board of aldermen or board of burgesses; or (d) a combination of (a) or (b) and one of the bodies listed in (c). The chief executive officer of a Town may be elected by the citizens of the Town or appointed by the legislative body.

The legislative powers of a District generally rest with the electors of the District. The officers of a District may be elected or appointed in accordance with State statutory provisions and the requirements of the District's charter.

Towns and Districts may adopt home rule charters. A charter may not be inconsistent with the State Constitution or general statutes or exceed the authority otherwise granted by the State Constitution or general statutes.

**Municipal Powers**

Towns generally have broad powers to conduct the business of the Town. Towns may contract, sue and be sued, assess, levy and collect taxes, take real or personal property, regulate nuisances, ensure public health and safety and take actions to protect the environment. Towns are also authorized to provide services including police, fire, entertainment, ambulance, street lighting, water, garbage disposal and low-income housing. Towns are authorized to build and regulate public facilities such as airports, parks, cemeteries and hospitals. Sewers, drainage and sewer disposal systems may be acquired, constructed and operated by Towns.

Districts may be established for a variety of specific purposes including, without limitation, the construction and maintenance of drains and sewers.

## **Sewage Systems**

Municipalities may designate a water pollution control authority ("WPCA"). The WPCA may be the municipality's legislative body (other than a town meeting) or an existing or newly created board or commission. The WPCA may prepare and periodically update a water pollution control plan for the Municipality. Such plan shall designate: (i) areas served by any municipal sewage system; (ii) areas where municipal sewage facilities are planned and the schedule of design and construction anticipated or proposed; (iii) areas where sewers are to be avoided; (iv) areas served by any community sewage system not owned by a Municipality; and (v) areas to be served by any proposed community sewage system not owned by a Municipality. The WPCA must file copies of its water pollution control plan with the State Commissioner of Environmental Protection. WPCA's, once authorized, may acquire, construct and operate sewage systems, take and hold real property to be used for sewage systems and establish rules and regulations for supervision and management of sewage systems. WPCA's may levy benefit assessments upon the land and buildings within a municipality that are especially benefited by a sewage system, so long as the assessment does not exceed the special benefit enjoyed by the property. WPCA's may also establish and from time to time revise fair and reasonable charges for connection with and use of a sewage system. All benefit assessments and charges are determined after a public hearing.

## **Water Systems**

Municipalities may acquire, construct and operate a municipal water supply system where (1) there is no existing waterworks system, (2) the owner or owners of a private waterworks system are willing to sell or transfer all or part of such system to the municipality, or (3) a public regional waterworks system within said municipality is willing to sell or transfer all or part of the system to the municipality. Any municipality may appropriate funds to extend or cause to have extended water mains (1) into areas to be used for industrial or commercial purposes or partly for industrial or commercial purposes and partly for residential purposes, or (2) into residential areas or into areas zoned for residential use. The municipality may pay the cost of such extension and may require each owner of property which abuts any such main to reimburse the municipality such owner's proportionate share of the cost of such extension at such time and by such rule as the municipality by ordinance determines.

## **Revenues**

Revenues of Towns are principally derived from real and personal property taxes, State and federal aid and Town fees and charges. Revenues of Districts are principally derived from real property taxes, user fees and service charges.

See "Assessment and Collection of Real and Personal Property Taxes" for discussion of tax assessment and collection provisions. Also, see Part II of this Appendix A for a description of the amount of certain revenues each Municipality described therein has received in the past.

### *State Aid*

The State may provide a grant to each Town for its unrestricted use. The grants are based on a variety of factors such as population and income levels.

The State is not obligated to maintain or continue State aid, which is subject to appropriations being made by the Connecticut General Assembly. General Assembly appropriations are subject to a recent amendment to the State Constitution precluding the General Assembly from authorizing an increase in general budget expenditures for any fiscal year above the amount of general budget expenditures authorized for the previous fiscal year by a percentage which exceeds the greater of the percentage increase in personal income or the percentage increase in inflation, unless the Governor declares an emergency or the existence of extraordinary circumstances and at least three fifths of the members of each the State House of Representatives and the State Senate vote to exceed such limit for the purposes of such emergency or extraordinary circumstances. The limitation on general budget expenditures does not include expenditures for the payment of State bonds, notes or other evidences of indebtedness.

### *Federal Aid*

Some Municipalities receive financial assistance from the federal government. The federal government is not obligated to maintain or continue federal aid, which is subject to appropriations being made by the United States Congress.

### **Assessment and Collection of Real and Personal Property Taxes**

The State Constitution contains no special provisions addressing assessment and collection of taxes by Municipalities. State statutes contain specific provisions for this activity, leaving the local taxing authorities to assess and collect taxes.

Municipalities are empowered by State statute to levy and collect taxes. Each Municipality has its own tax collector, who collects taxes for the taxing body in accordance with the State statutes. Generally, a District within a Town will use the Town's assessment roll and apply its tax rates to the assessment roll to arrive at its tax assessments.

Assessment lists are prepared by the Municipality's assessor as of October 1 of each year, using lists of taxable property submitted by taxpayers and information from other sources. The lists are amended to add property omitted from the lists and to increase or decrease the valuation of property. Any taxpayer aggrieved by the actions of the assessor can appeal to the Municipality's board of tax review and to the superior court of the Municipality's judicial district. All property is assessed at a uniform rate of 70% of its fair market value as of October 1. Prior to October 1, 1996, real property was revalued at least once every ten years. Legislation, effective with October 1, 1997 grand lists, specifies two dates through the year 2006 that Municipalities must revalue all real estate, and requires revaluations every fourth year after the second specified date. A revaluation by physical inspection must be made at any time up to October 1, 2009, and thereafter no later than twelve years from the preceding inspection. Special

statutory procedures are available to relieve taxpayers of significant tax increases caused by revaluation. When the assessment list is complete, the tax rate is levied upon the list to determine the amount of tax due and payable to the tax collector. The tax is due and payable on the first day of the Municipality's fiscal year unless the Municipality has determined that installment payments will be allowed.

Tax on real property becomes a lien on the property from October 1 in the year previous to that in which the tax, or the first installment thereof, became due, and continues until one year after the tax, or first installment, became due. The lien may be continued by the tax collector by filing the requisite certificate with the town clerk. Tax on personal property, other than motor vehicles, becomes a lien on the taxpayers' goods situated in the State on the date of perfection, or upon goods thereafter acquired by the taxpayer. The lien is effective for fifteen years, unless discharged.

## **Debt Incurrence Procedures**

### *Constitutional and Statutory Requirements*

The State Constitution empowers the general assembly to enact legislation relative to a Municipality's borrowing power. State statutes provide procedures for incurring debt by municipalities. Municipalities may adopt debt incurrence procedures pursuant to home rule ordinance, charter or special act.

### *Purpose of Authorization and Pledge*

Generally, a Municipality which has made appropriations for any purpose authorized by law, or which has incurred debts exceeding ten thousand dollars (\$10,000), may issue tax-exempt or taxable bonds, notes or other obligations under such terms and conditions, subject to the provisions of the State statutes, as the Municipality shall determine. The full faith and credit of the Municipality may be pledged to the payment of principal of and interest on the obligations. In any case in which the amount of a judgment, a compromised or settled claim against it, award or sum payable by it pursuant to a determination by a court, or an officer, body or agency acting in an administrative or quasi-judicial capacity, exceeds five percent (5%) of the total annual tax receipts of a Municipality or two hundred fifty thousand dollars, whichever is less, such municipality may issue bonds, notes or other obligations for the purpose of funding such judgment, claim, or award or sum other than an award or sum arising out of an employment contract or in connection with construction projects. Towns may issue obligations for the purpose of raising money for a dire emergency as such emergency is certified. Towns may also make appropriations to military organizations, hospitals, health care facilities, public health nursing organizations, nonprofit museums and libraries, organizations providing drug abuse and dependency programs and any other private organization performing a public function.

A Municipality that has authorized the acquisition or construction of all or any part of a sewage system and has made an appropriation or has incurred debt therefor, may issue bonds, notes or other obligations. Such bonds, notes or other obligations shall be secured as to principal and interest by (a) the full faith and credit of the Municipality, (b) a pledge of revenues from

sewage systems use charges or (c) a pledge of revenues to be derived from sewage system connection or use charges or a pledge of benefit assessments or both. The Municipality thereafter must appropriate in each year an amount of money sufficient to pay the principal and interest due that year and shall levy taxes or charges (as appropriate) in an amount sufficient to meet the appropriation.

A Municipality may pay for the acquisitions, construction, extension, enlargement and maintenance of any waterworks system by the issuance of general obligation bonds or by the issuance of revenue bonds.

*Debt Limit*

No Municipality (and no Municipality coterminous with or within such Municipality) shall incur indebtedness in any of the following categories which will cause the aggregate indebtedness in that category to exceed, excluding sinking fund contributions, the multiple stated for each category times the aggregate annual receipts of such Municipality from taxation for the most recent fiscal year next preceding the date of issue:

(i)	all debt other than urban renewal projects, water pollution control projects and school projects .....	2 1/4
(ii)	debt for urban renewal projects .....	3 1/4
(iii)	water pollution control projects* .....	3 3/4
(iv)	school building projects .....	4 1/2
(v)	debt for funding of an unfunded past benefit obligation .....	3
(vi)	total debt, including (i), (ii), (iii), (iv) and (v) above.....	7

---

\* Debt for water pollution control projects issued in order to meet the requirements of an abatement order of the commissioner of environmental protection is excluded from this computation provided the Municipality files a certificate signed by its chief fiscal officer with the commissioner demonstrating to the satisfaction of the commissioner that the Municipality has a plan for levying a system of charges, assessments or other revenues which are sufficient, together with other available funds of the municipality, to repay such obligations as the same become due and payable.

**Certain Legal Matters**

Prior to receipt by any Municipality of any Loan, an approving opinion with respect to the Municipal Obligation which evidences the Loan and an enforceability opinion with respect to the Loan Agreement will be rendered by nationally recognized bond counsel for the Municipality.

## **APPENDIX A**

### **PART II-SPECIFIC MUNICIPAL INFORMATION**

Set forth in this Part II of Appendix A is certain information regarding the Borrowers whose Loans, including current and/or anticipated Loan commitments through June 30, 2002, are expected to exceed 10% of the aggregate outstanding principal amount of the Bonds and the Subordinate Refunding Bonds, including the 2001 Bonds (but excluding the Bonds refunded by the Subordinate Refunding Bonds).

Except where expressly stated herein, the information which appears in this Official Statement relating to each Municipality is current as of the date of this Official Statement and was furnished by each Municipality for inclusion within this Official Statement. No representation or warranties are made that the information regarding each Municipality has not changed since the date of this Official Statement.

### **CONTENTS**

Stamford	A-7
Waterbury	A-17

## STAMFORD

### **I. GENERAL DESCRIPTION OF MUNICIPALITY**

Stamford, first settled in 1641, is Connecticut's fourth largest city by population. Stamford covers an area of 39.9 square miles located on Long Island Sound between Greenwich to the west and New Canaan and Darien to the east.

The City is about one hour from New York City by rail or highway transportation. It is on the mainline of Metro North Commuter Railroad, Amtrak and Conrail, which provide daily passenger and freight service. Interstate 95, U.S. Route 1 and U.S. Route 15, traverse the City.

Stamford is a center for major international corporate headquarters and the major retail trade center of Fairfield County, yet it maintains its suburban character and residential areas. The City has strengthened its retail core, increased its housing and cultural facilities and attracted major office development. It is also an important residential suburb in one of the highest per capita income areas of the United States. The State of Connecticut's Office of Policy and Management reports Stamford's per capita income for 1999 was \$54,894 and the U.S. Census reports a 2000 population of 117,083. The U.S. Department of Housing and Urban Development's estimate of median family income for the City for 1999 was \$102,691. According to the 1990 U.S. Census, the Stamford Metropolitan Area ranked second in the nation with a median family income of \$67,049.

### **II. DESCRIPTION OF GOVERNMENT**

The City of Stamford operates under a Charter adopted in 1949 and most recently revised in November 1995. The 1995 revisions involved the reorganization and consolidation of departments and commissions within the City.

The chief executive officer of the City is the Mayor, currently elected for a four-year term of office. The legislative function is performed by a forty-member Board of Representatives whose members are elected, two from each of twenty districts, for four-year terms. The Board of Representatives adopts ordinances and resolutions and must approve all expenditures of funds. A six-member Board of Finance, elected to staggered four-year terms with provisions for representation of the two major political parties, establishes fiscal policy and must also approve all expenditures of funds.

The Director of Administration is appointed by the Mayor and confirmed by the Board of Representatives. Under the direction of the Mayor, the Director of Administration has supervision over the Department of Finance, the City's Office of Policy and Management, Purchasing, Assessment and Taxation, Community Development, Economic Development, Intergovernmental Grants, and Technology Management Services. The Director of Administration is the Chief Fiscal Officer of the City and performs accounting of all funds showing financial transactions for all commissions, boards, departments, offices, agencies, authorities and other entities of the City except the Board of Education.

The Director of Administration has the powers and duties conferred on Town Treasurers to issue and market all bonds and to invest funds of the City. The Director of Administration is also responsible for the preparation of the operating and capital budgets of the City. In accordance with Section 8-20-3 of the City Charter, the Director of Administration submits his opinion to the Mayor and Board of Finance in December of each year setting forth the amount and nature of capital expenditures that the City may incur safely for each of the six succeeding years.

### **III. BUDGET PROCEDURE**

The City of Stamford conforms to the following budgetary sequences and time schedules:

Department estimates due for six year capital program	December 10
Report of the Director of Administration to Board of Finance recommending the amount and nature of capital expenditures for the ensuing year	December 15
Certificate of Board of Finance to Planning Board of amount and nature of capital expenditures for subsequent year	January 15
Public hearing by Planning Board	February 10
Capital Budget from Planning Board to Mayor	March 1
Board of Education submits its budget to the Board of Finance	March 8
Mayor submits Operating and Capital Budget to Board of Finance	March 8
Joint Public Hearing before Board of Finance and Board of Representatives	April 8
Budget to Board of Representatives from Board of Finance	April 20
Budget adopted by Board of Representatives	May 15
Board of Finance establishes the mill rate	May 25



**IV. EMPLOYEES <sup>(1)</sup>**

	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
General Government	1,358 <sup>(2)</sup>	1,342	1,283	1,275	1,298
Board of Education (full time)	<u>2005</u>	<u>1,835</u>	<u>1,748</u>	<u>1,763</u>	<u>1,771</u>
Total	<u>3,363</u>	<u>3,177</u>	<u>3,031</u>	<u>3,038</u>	<u>3,069</u>

(1) As of July 1 of each fiscal year.

(2) General government includes employees assigned to the Smith House Nursing Home (114), the Water Pollution Control Authority (33), the Gaynor Brennan Golf course (5), and the Risk Management Fund (3).

Source: City of Stamford

**V. USE OF PROCEEDS**

The proceeds of the Clean Water Fund Loans will be used to upgrade the plant and pump stations at the sewage treatment plant.

**VI. SELECTED FINANCIAL AND DEMOGRAPHIC INFORMATION**

**1. Population**

<u>Year</u>	
2000	117,083
1990	108,056
1980	102,453
1970	108,798
1960	92,713

Source of data: U.S. Department of Commerce, Bureau of Census

**2. Per Capita Income**

<u>Year</u>	
2000	N/A
1999	\$54,894 <sup>1</sup>
1998	\$54,894 <sup>2</sup>
1996	\$47,909 <sup>2</sup>
1987	\$20,696 <sup>1</sup>

Source of data: <sup>1</sup> U.S. Department of Commerce, Bureau of Census

<sup>2</sup> State of Connecticut, Department of Public Health estimates

### 3. Annual Unemployment Rate

<u>Year</u>	<u>Rate</u>
2000	1.7%
1999	2.5%
1998	2.7%
1997	3.9%
1996	4.7%

*Source of data:* U.S. Department of Environment and Labor Security Division  
State of Connecticut, Department of Labor

### 4. Residential, Industrial and Commercial Building and Alteration Permits

<u>Fiscal Year - 6/30</u>	<u>Residential</u>	<u>Commercial Industrial</u>	<u>Apartments/ Condominiums</u>	<u>Total</u>
2000	\$45,087,299	\$171,945,326	\$69,203,887	\$286,236,512
1999	41,062,696	115,280,275	42,893,700	199,236,671
1998	51,375,256	92,721,886	5,708,361	149,805,503
1997	32,554,217	202,105,799	13,708,600	248,368,616
1996	50,219,499	157,298,746	5,770,000	213,288,245

*Source of data:* City of Stamford, Building Department

### 5. Property Taxes

#### TAXABLE GRAND LIST

(\$ in Thousands)

<u>Grand List As of 10/1</u>	<u>Real Estate Property</u>	<u>Personal Property</u>	<u>Motor Vehicle Property</u>	<u>Taxable Grand List</u>	<u>Less Exemptions</u>	<u>Net Taxable Grand List</u>
2000	\$9,397,632	\$718,890	\$722,926	\$10,839,448	\$41,615	\$10,797,833
1999 <sup>(1) (2)</sup>	9,367,674	671,395	685,816	10,724,885	62,169	10,662,716
1998	7,359,485	889,814	605,034	8,854,333	50,736	8,803,597
1997	7,374,724	758,771	559,895	8,693,874	54,102	8,639,272
1996	7,378,257	664,125	537,226	8,579,608	28,307	8,551,301

(1) Real Estate values reflect the recently completed revaluation.

(2) The reduction in Personal Property is due to the adoption of uniform depreciation schedules.

## TAX COLLECTIONS

### Uncollected Taxes

<u>Fiscal Year Ended 6/30</u>	<u>Net Taxable Grand List (000)</u>	<u>Total Adjusted Tax Levy</u>	<u>End of Fiscal Year</u> <sup>(1)</sup>	<u>%</u>	<u>As of 2/28/01</u>
2001	\$10,662,716	\$255,849,814	In Process	In Process	\$10,414,225 <sup>(2)</sup>
2000	8,804,639	246,349,872	6,315,092	2.56%	14,634,685
1999	8,651,402	237,368,900	6,904,427	2.90%	4,108,708
1998	8,551,301	232,266,554	5,851,707	2.52%	2,190,559
1997	8,423,264	237,799,962	6,875,535	2.90%	1,147,018

(1) The amount collected to the end of each fiscal year represents collections of twelve months. Taxes for the fiscal year are laid on the Grand List of October 1, and are due and payable in two installments, one-half July 1 and one-half January 1. Failure to pay an installment within one month of the installment due date makes the installment delinquent. If the installment is not paid by the first day of the month after the month it is due, the tax becomes delinquent and a penalty of 1½% per month (18% per annum) is charged from the due date of the tax. Real Estate is liened for delinquent taxes within one year after the due date.

(2) Unaudited figures.

Sources: City of Stamford, Tax Collector's Office.

## TAX DISTRICTS

The City of Stamford is divided into four taxing districts, based upon municipal services furnished. As the City's sewer program is extended to new areas, municipal garbage collection service is provided and the tax district classification is changed accordingly.

District A: Basic services (Schools, police, etc.) plus sanitary sewers, garbage collection and paid fire protection.

District B: Basic services plus paid fire protection.

District C: Basic services plus volunteer fire protection.

District C/S: Basic services plus volunteer fire protection, sanitary sewers, garbage collection. The core of the City is represented by Districts A and B which include the highest density of residential, commercial, and industrial development. District B is a very small portion of this core area to which sanitary sewers have not been extended.

Districts C and C/S are predominantly zoned for single-family residential use. District C/S is that portion of District C that has been provided with sanitary sewers and garbage collection.

In September 1999 the City of Stamford, pursuant to State law and local ordinance, adopted a uniform, State-recommended depreciation schedule of business and personal property. As a result of this new depreciation schedule, which allows businesses to depreciate electronic data processing equipment much faster than had been previously permitted, Stamford businesses will enjoy a reduction in their assessments and corresponding taxes for electronic personal property, most notably computer equipment.

In order to partially mitigate the impact of this reduction in personal property taxes, the Fiscal Year 2000-2001 Operating Budget includes a Personal Property Tax District. The mill rate in this district was established at the Fiscal Year 1999-2000 mill rate applicable to personal property, 28.64 mills. Over the succeeding three years, the City will phase-in any adjustments to this district's mill rate, such that ultimately the mill rate in the Personal Property Tax District will be the same as the District A rate for real property by Fiscal Year 2003-2004. For Fiscal Year 2001-2002 the proposed budget recommends a mill rate for personal property of 27.44 mills.

**TAX RATES BY TAX DISTRICT**

(Mills)

<u>Tax List</u>	<u>Fiscal Year</u>	<u>District A</u>	<u>District B</u>	<u>District C</u>	<u>District C/S</u>	<u>Uniform Auto Rate</u>	<u>Personal Property</u>
October 1, 1999	2000-01	23.87	23.74	22.50	22.96	26.47	28.64
October 1, 1998	1999-00	28.64	27.84	26.00	26.79	30.90	
October 1, 1997	1998-99	28.50	27.80	25.90	26.70	30.80	
October 1, 1996	1997-98	28.10	27.30	25.60	26.40	30.30	
October 1, 1995 <sup>(1)</sup>	1996-97	29.10	27.70	25.80	27.30	30.80	

(1) The final year of a previous three year phase-in of revaluation.

**6. Ten Largest Taxpayers**

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Net Taxable Grand List<sup>1</sup></u>
Swiss Bank Corp./UBS AG Stamford	Banking/Finance	\$140,020,980	1.30%
EOP-Stamford Atlantic Forum LLC	Office Buildings	88,111,090	.82
Pitney Bowes	Office Equipment	86,514,170	.80
First Stamford Place Company	Office Buildings	76,302,920	.71
General Electric Capital Corporation	Consumer Finance	73,924,200	.68
Rich-Taubman Associates	Office Buildings/Retail	72,394,860	.67
Connecticut Light & Power	Utility	70,982,840	.66
Purdue Realty LP	Corporate Office	65,993,200	.60
Reckson Operating Partnership	Office Buildings	62,446,850	.58
International Paper/Champion International	Corporate Office	<u>53,794,410</u>	<u>.50</u>
TOTAL		<u>\$790,485,520</u>	<u>7.32</u>

<sup>1</sup>Based on 10/1/00 Net Taxable Grand List of \$10,797,833,000.  
*Source:* October 1, 2000 Grand List

## 7. Ten Largest Employers

<u>Employer</u>	<u>Nature of Business</u>
City of Stamford	Government and Education
Pitney Bowes, Inc.	Office Equipment (HQ and Mfg.)
UBS Warburg	Investment Banking (HQ)
Gartner Group	Information Technology Advisory services
General Electric Capital Corporation	Consumer Finance (HQ)
Stamford Town Center	Retail Stores
Stamford Health Systems	Medical Care
Clairol, Inc.	Cosmetics (HQ and Mfg.)
General Re Corporation	Insurance (HQ)
U.S. Postal Service	Local and regional mail service

*Source:* City of Stamford Department of Economic Development and the Stamford Chamber of Commerce.

8. **Summary of General Fund Operations (GAAP Basis)**

<u>Fiscal Year - 6/30</u>	<u>Audited 1996</u>	<u>Audited 1997</u>	<u>Audited 1998</u>	<u>Audited 1999</u>	<u>Audited 2000</u>
Revenues:					
Property Taxes	\$231,017,815	\$238,807,331	\$234,697,942	\$233,707,597	\$248,889,558
Intergovernmental	19,986,710	21,406,212	17,615,684	17,043,533	17,717,212
All Other	25,534,042	38,547,109	27,612,199	26,716,251	28,929,522
Total Revenues	<u>\$276,538,567</u>	<u>\$298,760,652</u>	<u>\$279,925,825</u>	<u>\$277,467,381</u>	<u>\$295,536,292</u>
Expenditures:					
General Government	\$143,940,083	\$142,845,411	\$128,364,067	\$132,107,428	\$135,256,644
Education	117,601,760	121,263,657	123,679,583	129,471,725	138,061,683
Debt Service	20,478,375	21,492,167	17,731,276	--	--
Total Expenditures	<u>\$282,020,218</u>	<u>\$285,601,235</u>	<u>\$269,774,926</u>	<u>\$261,579,153</u>	<u>\$273,318,327</u>
Transfers In	408,958	476,014	1,028,881	2,048,768	752,214
Transfers (Out)	(18,497)	(2,422,036)	(1,007,288)	(21,215,395) <sup>1</sup>	(23,211,608) <sup>1</sup>
Excess (Deficiency) of Revenues over Expenditures	<u>(\$5,091,190)</u>	<u>\$11,213,395</u>	<u>\$10,172,492</u>	<u>(\$3,278,399)</u>	<u>(\$241,429)</u>
Residual Transfers (Out)					(4,188,745)
Fund Balance, beg	<u>5,188,243</u>	<u>97,053</u>	<u>11,310,448</u>	<u>21,482,940</u>	<u>18,204,541</u>
Fund Balance, end	<u><u>\$97,053</u></u>	<u><u>\$11,310,448</u></u>	<u><u>\$21,482,940</u></u>	<u><u>\$18,204,541</u></u>	<u><u>\$13,774,367</u></u>
Ratios:					
Year End Fund Balance/Expenditures	.03%	3.96%	7.96%	6.96%	5.03%

<sup>1</sup> Includes debt service payments of \$21,446,773 for 1999 and \$23,531,446 for 2000.

9. **Debt Statement, pro forma, as of June 12, 2001.**

	General Purpose	Schools	Sewers	Other	Total
Long-Term Debt (Bonds Payable) <sup>1</sup>	\$128,475,671	\$117,551,604	\$28,467,725	--	\$274,495,000
Short-Term Debt (Notes Payable) <sup>1</sup>	--	--	--	--	--
Clean Water Fund Debt <sup>2</sup>	--	--	6,109,775	--	6,109,775
All Other	--	--	--	--	--
<b>Total Direct Debt</b>	<b>\$128,475,671</b>	<b>\$117,551,604</b>	<b>\$34,577,500</b>	<b>--</b>	<b>\$280,604,775</b>
Overlapping Debt	--	--	--	--	--
Underlying Debt	--	--	--	--	--
<b>Total Overall Debt</b>	<b>\$128,475,671</b>	<b>\$117,551,604</b>	<b>\$34,577,500</b>	<b>--</b>	<b>\$280,604,775</b>
Less:					
School Grants Receivable	--	21,442,833	--	--	21,442,833
Sewer Assessments Receivable	--	--	3,541,267	--	3,541,267
<b>Total Overall Net Debt</b>	<b>\$128,475,671</b>	<b>\$96,108,771</b>	<b>\$31,036,233</b>	<b>--</b>	<b>\$255,620,675</b>
 <b>Authorized and Unissued Debt</b>	 <b>\$14,506,185</b>	 <b>\$8,912,639</b>	 <b>\$447,755</b>	 <b>--</b>	 <b>\$23,866,579</b>

<sup>1</sup> Excluding all Clean Water Fund debt.

<sup>2</sup> Long-term (PLO) and short-term (IFO) obligations outstanding.

10. **Current Debt Ratios, pro forma, as of June 12, 2001.**

Population (2000)	117,083
Net Taxable Grand List, 10/1/00	<u>\$10,797,833,000</u>
Estimated Full Value, 10/1/00	<u>\$15,425,475,714</u>
Equalized Net Taxable Grand List, 10/1/98	<u>\$14,215,155,005</u>
Income per Capita, 1999	<u>\$54,894</u>

RATIOS

	Total Overall Debt	Total Overall Net Debt
	\$280,604,755	\$255,620,675
Debt Per Capita	<u>\$2,397</u>	<u>\$2,183</u>
Ratio to Net Taxable Grand List	<u>2.60%</u>	<u>2.37%</u>
Ratio to Estimated Full Value	<u>1.82%</u>	<u>1.66%</u>
Ratio to Equalized Net Taxable Grand List	<u>1.97%</u>	<u>1.79%</u>
Debt Per Capita to Income Per Capita	<u>4.37%</u>	<u>3.98%</u>

**VII. LITIGATION**

In the ordinary course of its operations, the City of Stamford, its officers and employees, have become or are defendants in lawsuits and other proceedings arising out of alleged torts and other violations of law. In the opinion of the City's Director of Legal Affairs, there are no claims or litigation pending or to his knowledge threatened, which would individually or in the aggregate result in final judgments against the City which would have a material adverse effect on the finances of the City.



## WATERBURY

### **Description of the Municipality**

Waterbury was founded in 1674, incorporated as a village in 1686 and as a city in 1853. Located in the west-central portion of the state, the City is 21 miles north of New Haven, 29 miles southwest of Hartford, and 24 miles east of Danbury. The City operates under a Mayor–Board of Aldermen form of government with officials elected at regular biennial elections.

Waterbury is conveniently located at the crossroads of two major expressways, Interstate 84 and Connecticut Route 8. To the east, I-84 provides direct access to Hartford and joins the Massachusetts Turnpike for travel to Boston and northern New England. Heading west, I-84 passes through Danbury and crosses the states of New York and Pennsylvania, with connections to the New York Thruway and Interstate 80. Route 8 south meets the Connecticut Turnpike (I-95) in Bridgeport, making all of southern Connecticut and Fairfield County easily accessible. To the north, Route 8 ultimately leads to the Massachusetts Turnpike.

Rail passenger and freight service in the area are operated by Metro North and Conrail, respectively. Daily passenger round trips are made between Waterbury and New York City, and freight service via New Haven makes shipments possible to any point in the country.

Waterbury serves as a center of higher education for the area, being the home of Teikyo Post University, Naugatuck Valley Community-Technical College, and a branch of the University of Connecticut. Graduate school needs are met by the Waterbury extensions of the University of New Haven and the University of Bridgeport. Public City school facilities include four high schools, seven middle schools and 19 elementary schools. There are eleven private or parochial elementary schools, four private or parochial high schools and one vocational-technical high school.

Waterbury provides its residents with a variety of housing options in all price ranges. Single-family dwellings from modest to luxurious, multi-family homes, apartments and condominiums meet the needs of workers and residents. Waterbury provides special housing for senior citizens and for families in low- and middle-income groupings and assisted living facilities.

Public parks and recreation facilities offering tennis, swimming pools, ball fields, ice skating, and recreational programs are located throughout the City. In addition, the City offers bathing, boating, and fishing facilities at Lakewood Park within the City and at Lake Quassapaug and Hitchcock Lake just outside the City limits. Also, two 18-hole City-owned golf courses and an acclaimed 18-hole private course are located in Waterbury, while several 9-hole golf courses are situated immediately adjacent to the City. Mattatuck State Forest with its many trails and campsites is only four miles from the center of the City. Black Rock State Park, with swimming and picnic facilities available, is a short drive away.

The Waterbury Symphony Orchestra, Seven Angels Theater, Waterbury Ballet, and the Mattatuck Historical Museum are just a few of the many cultural institutions serving Waterbury area residents.

The Silas Bronson Library, the public library of the City of Waterbury, was established in 1869 by an endowment from Silas Bronson. The library is now jointly supported by the Silas Bronson entitlement and public funds. There are over 170,000 volumes in the main library available to the public, while a branch library operates in the Bunker Hill section.

The City's second magnet school, the Rotella Regional Arts Magnet School, opened in October 2000. The Rotella School, like the Maloney Magnet School that opened in 1996, is fully funded by the State of Connecticut and requires that at least 20% of Rotella students be from nearby school districts. These magnet schools address a statewide mandate for greater social and ethnic diversity. Waterbury's schools are considered "racially balanced" by the State of Connecticut Department of Education.

## Description of Government

The City is governed by a Mayor who serves for a two-year term and a Board of Aldermen made up of 15 members elected for two-year terms. Also elected are the Treasurer, City Clerk, Sheriff, Tax Collector, and the ten-member Board of Education. Other officials are appointed by the Mayor. Budgeting and all other financial matters are supervised by the Board of Finance which consists of seven electors appointed by the Mayor, no more than four of whom can belong to the same political party.

### PRINCIPAL MUNICIPAL OFFICIALS

<u>Office</u>	<u>Name</u>	<u>Manner of Selection/Term</u>	<u>Years of Service/ Dates of Appointment</u>
Mayor	Philip A. Giordano	Elected – 2 years	5 years
President, Board of Aldermen	Sam S.F. Caligiuri <sup>1</sup>	Elected – 2 years	1 year
President, Board of Education	Michael Andolina <sup>2</sup>	Elected – 2 years	5 years
Superintendent of Schools	Dr. David L. Snead	Appointed	August 2000
Treasurer	Michael Blumenthal	Elected – 2 years	5 years
Director of Finance	Richard A. Russo	Appointed	October 2000
Director of Budget	Thomas Ariola	Appointed	January 1996
Director of Audit	John Cashmon	Appointed	June 2000
Corporation Counsel	Theresa Caldarone	Appointed	October 2000

<sup>1</sup> Alderman Caligiuri has served on the Board of Aldermen since 1997.

<sup>2</sup> Commissioner Andolina has served 10 years on the Board of Education.

### Summary of Municipal Services

#### MUNICIPAL EMPLOYEES

	<u>2000-01</u> <sup>1</sup>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>
General Government	1,324	1,389	1,395	1,385	1,409	1,429
Board of Education	2,096	2,004	1,954	1,891	1,822	1,818
Federally Funded <sup>2</sup>	<u>233</u>	<u>308</u>	<u>313</u>	<u>274</u>	<u>284</u>	<u>254</u>
Total	3,653	3,701	3,662	3,550	3,515	3,501

<sup>1</sup> Full-time equivalent as of December 2000.

<sup>2</sup> Federally Funded programs include W.I.C. Program, LEAD Program, JTPA, and several education programs including Community School, Language Development Program, Adult Basic Education and others.

**Water:** Waterbury has the largest city-owned water system in the state. It encompasses 7,000 acres of City-owned watershed and has sufficient capacity to service 200,000 people. The system consists of two inactive and five active reservoirs with a total capacity of 7.8 billion gallons of water. The water treatment plant was completed in 1987 at a cost of approximately \$35.0 million. Average consumption for fiscal year 2000 was 17.3 million gallons per day; total capacity of the system is 38.0 million gallons per day. The system serves customers located in Waterbury and neighboring communities and is a self-supporting enterprise fund of the City.

**Fire:** The Waterbury Fire Department is a professional fire department providing a wide range of emergency services including fire suppression, hazardous materials mitigation, technical rescue and emergency medical dispatch. The Department also provides non-emergency services including public fire education, Connecticut Fire Code and Licensing building inspections and plan review. The Department consists of 336 sworn members and seven civilian members. Emergency services are provided by nine engine companies, three truck companies, one rescue engine company and three chief officers operating from nine fire stations.

**Police:** The Waterbury Police Department is a professional department which operates with an authorized complement of 396 sworn officers and 54 civilian employees. Located at 255 East Main Street, Police Headquarters is a 34,200-square-foot facility housing administrative, uniformed and investigative services. Specialized units include K-9, Emergency Response Team, Bicycle Patrol, Polygraph Services, Traffic Engineering, Victim Services, and a full-service Forensic Laboratory capable of ballistics analysis/comparison and DNA analysis. The department utilizes a fleet of approximately 100 vehicles, 45 of which are marked police cruisers. Off-site facilities include Animal Control, Traffic Division, Parking Division and three neighborhood precinct offices.

**Health:** Waterbury's full-time health department has 146 employees and oversees vital records (births, marriages, deaths), school health, food service establishments, housing code enforcement, communicable disease control and public health nursing. In addition to multiple community programs (WIC, AIDS Program, Seatbelt Safety, Childhood Immunizations, Childhood Lead Poisoning Prevention, Health Education, Substance Abuse Prevention for Women, State of Connecticut HUSKY Plan), it has a full-service clinical laboratory and also responds to hazardous materials incidents with the Fire Department.

**Water Pollution Control:** The City has approximately 300 miles of sanitary sewers. The City's newly upgraded 27.05 MGD advanced Sewage Treatment Facility was put into operation in April of 2000 in accordance with a Consent Order between the City and State of Connecticut Department of Environmental Protection. The planning, design and construction phases of this upgrade are being funded through the State of Connecticut Clean Water Fund program. Though the City is ultimately responsible to the State for repayment of the total cost of each phase of the upgrade, the City recently entered into agreements with the municipal users of the Sewage Treatment Facility (Watertown, Wolcott and Cheshire), whereby the municipal users are obligated to pay their allocable share of the costs for each phase of the upgrade.

**PLANNING AND UPGRADE PROJECT COST AND FUNDING INFORMATION**

As of March 31, 2001

	<u>Planning</u>	<u>Design</u>	<u>Construction</u>
<b>Total Cost</b>	<b>\$4,007,585</b>	<b>\$8,411,392</b>	<b>\$109,735,692</b>
City Share	\$ 0	\$ 458,519	\$ 460,349
CWF Grant	\$ 0	\$1,505,257	\$ 28,712,061
CWF Loan	\$4,007,585	\$6,447,616	\$ 80,563,282
 <b>Percent Liability</b>			
Waterbury	88.93%	87.09%	86.54%
Watertown	8.11%	9.56%	9.94%
Wolcott	2.89%	3.27%	3.43%
Cheshire	0.07%	0.08%	0.08%

Pursuant to the Project Loan and Project Grant Agreement (PLGA) between the City and the State of Connecticut and after execution and delivery of a Project Loan Obligation (PLO), the City has agreed to establish a Short Term Investment Fund (STIF) account with the State of Connecticut and deposit to that account all capital recovery charges (CRC) collected from every user charge payment received. After the execution and delivery of the PLO, the City also agrees to maintain a minimum balance in the STIF account equal to three months of its principal and interest payment due on its PLOs due to the State. The City has authorized the Clean Water Fund Trustee (CWF Trustee) to withdraw monthly amounts according to the loan payment schedule as mutually agreed by the City and the State to pay the PLOs. The City must supply the State with a monthly statement which documents its compliance with these terms.

The City has executed and delivered the PLO and has established the three-month balance. In the event that the balance falls below the required amount for more than 30 days, the City agrees to deposit all collections pertaining to the sewerage system of the City until the balance requirement is met. The STIF account shall be governed by the policy and procedures of the State Treasurer's Office.

The State and the municipality may deem it desirable for other municipalities to join with the City in sharing the cost of funding the project (New Municipality). In order to facilitate the repayment of the PLOs by the New Municipalities, including Watertown, Wolcott and Cheshire, that are served by the City's wastewater treatment plant (WWTP), the following conditions apply to all parties:

1. The New Municipalities have the option of paying their share of the PLOs based on their design flow contribution expressed as a percent of the total design flow of the City's WWTP, directly to the Clean Water Fund Trustee;
2. For the New Municipalities who choose to pay the CWF Trustee directly, an individual loan repayment schedule consistent with the terms of the PLOs will be established for each New Municipality and each shall establish a STIF account with the State Treasurer's Office. The New Municipalities choosing this option must agree to deposit principal and interest payments, as necessary, to maintain at all times at least a three month balance of their required monthly principal and interest payments on the PLOs. The New Municipalities will be given up to six months to establish the three-month balance. The STIF account shall be governed by the policy and procedures of the State Treasurer's Office.
3. Each New Municipality maintaining a separate STIF account for repayments of the PLOs shall authorize the CWF Trustee to withdraw monthly amounts according to the individual loan payment schedule as mutually agreed by the City, the New Municipalities and the State to pay its share of PLOs.
4. Each New Municipality maintaining a separate repayment STIF account must supply the City with a monthly statement which documents its compliance with the terms described above; and,
5. In accordance with the terms of the City's PLGA, prepayment by the City or any New Municipality will result in an adjustment to the loan balance to be determined by the State Treasurer's Office, and the City shall be credited for payments made by the New Municipalities with respect to the PLOs.

The balance of the Sewage Treatment Facility upgrade consists of remaining punch list work, the relocation of the City's Central Vehicle Maintenance and Refuse Facilities, and mitigation, including plantings and dam removal. The estimated \$6,322,202 cost of this project is being funded through the State of Connecticut Clean Water Fund Program via a combination of a 2% loan totaling an estimated \$4,120,091 and a grant totaling \$2,202,111.

In the fall of 1999, the City's Main Carrier Relief Sewer Project commenced. It includes the construction of a 54" main carrier relief sewer as well as new sanitary and storm sewers in the general vicinity of the main carrier relief sewer. The project will eliminate ten combined sewer overflows from entering the Naugatuck and Mad Rivers by means of the relief sewer, which will convey these flows to the City's sewage treatment facility for treatment. The estimated \$22,922,994 cost of this project is being funded through the State of Connecticut Clean Water Fund Program via a combination of a 2% loan totaling an estimated \$12,366,829 and a grant totaling \$10,556,165.

The City is preparing to commence certain Phase III collection system work, consisting of the Harper's Ferry Pump Station relocation, the Sewer System Rehabilitation Cured-in-Place Pipe Lining contract, the Inflow Reduction Program, and the procurement of certain collection system equipment. The estimated \$16,550,000 cost of Phase III is expected to be funded through (1) the State of Connecticut Clean Water Fund Program via a combination of a 2% loan totaling and estimated \$6,457,578 and a grant totaling \$1,343,070, and (2) the State of Connecticut Department of Transportation via grant of \$8,749,352.

Any portion of the outstanding projects remaining unfunded may be funded through the City's Bureau of Waste Disposal or through the issuance of general obligation bonds.

Pursuant to the State Clean Water Fund Program, the City has adopted a sewer user charge to pay the costs of operating its collection and treatment system, including operation, capital improvements, and debt service on outstanding sewer bonds. Although support for the Clean Water Fund loans is provided by the sewer use charges, all of the loans from the Clean Water fund are general obligation debt of the City. Because of the sewer user fees, the Connecticut Clean Water Fund loans are subject to the Tax Revenue Intercept only in the event of default. (See DEBT SUMMARY)

Pursuant to the PLGA, the City has agreed that no Bureau of Waste Disposal enterprise fund revenues will be transferred to the City's general fund unless the transfer is a legitimate cost related/associated with the City's support of the Bureau of Waste Disposal, is consistent with the City's reimbursement policies related to other City sponsored functions (e.g., education, public works, trash removal, etc.), and is approved in advance in writing by the Bureau Chief for Water Management in the State Department of Environmental Protection and the Clean Water Fund Administrator in the Office of the State Treasurer, either as a part of the annual budget and rate-setting process or from time to time during the year, which approval shall not be unreasonably withheld or delayed. The City must submit a proposal for such transfer to the two State officials in writing, together with appropriate supporting documentation, and the two State officials must respond within fifteen (15) business days from receipt of the request accompanied by such appropriate supporting documentation. Failure to object or to make reasonable requests for additional documentation to support such proposal within such fifteen-day period shall be deemed to be approval.

The City hired Black & Veatch, an international construction engineering firm, to study the City's options regarding ownership and/or management of the City's wastewater collection and treatment facilities. Ownership options under study by Black & Veatch include continued City ownership; establishment of a public authority to purchase the plant and assets; and complete privatization. Operating options include maintaining City ownership and management but with reduced costs through optimization of operations; operation and maintenance by a public authority; and contracting out operation and maintenance whether owned by the City or a public authority. In accordance with recommendations from Black & Veatch, the City has advertised a RFQ/P for the Operation and Maintenance of the City's Wastewater Treatment Plant, South End Landfill, Sanitary Sewer Collection System and related facilities.

**Solid Waste:** The City closed its landfill in September 1999 pursuant to a closure order negotiated with the State of Connecticut Department of Environmental Protection. In 1993, the City signed a contract with the Connecticut Resources Recovery Authority ("CRRA") to provide solid waste disposal services to the City at the CRRA's Mid Connecticut Plant. The contract is a 20-year "put-or-pay" contract, with a minimum commitment of 24,000 tons per year, including a per-ton tipping fee of \$48 for the current fiscal year.

The City has entered into an agreement (the "Agreement") with NETCO-Waterbury Limited Partnership, A Delaware Limited Partnership ("NETCO") for the disposal of the City's sewage sludge. The Agreement provides for NETCO to design, build and operate a sewage sludge incinerator facility manufactured by Dorr-Oliver, Incorporated with a 50-dry-ton-per-day capacity, as well as related facilities (the "Project"). The Project was operational in January 1997. Under the Agreement, NETCO, is required to process sewage sludge for the City and in return is guaranteed to receive not less than \$1.6 million per year from the City as payment of a fixed disposal fee for the successful processing of the sludge (the "Minimum Fee"). However, the City must obtain annual appropriation in order to make any payments required in the Operating Agreement. The obligation of the City to make payments under the Operating Agreement is subject solely to NETCO's performance of its obligations under the Operating Agreement. Connecticut General Statutes generally authorize municipalities to pledge their full faith and credit to payments such as those required under the Operating Agreement. Payment of the Minimum Fee by the City is not secured by the full faith and credit pledge of the City. The City must appropriate in each fiscal year sufficient funds to make the payments required by the Operating Agreement. Such annual appropriation is subject to the approval of the City pursuant to its Charter, including legislative approval by the Board of Aldermen. Failure of the City to appropriate the Disposal Fee does not release it from contractual liability to NETCO for failure to make payments required under the Operating Agreement. The liability of the City to NETCO in the event it fails to make required payments would be determined by a court of law. This fee is based upon the disposal of 5,720 dry tons per year, or approximately 15 dry tons per day. The Facility has been operational 353 days per year.

For each dry ton processed by NETCO in excess of 25 dry tons per day on average, NETCO pays the City an \$80-per-dry-ton royalty from the estimated \$249-per-dry-ton fee charged to process outside sludge. The Facility is fully operational and has been processing approximately 50 dry tons of outside sludge in excess of NETCO's obligations to the City, resulting in \$50,000 to \$80,000 per month in additional royalties. The incinerator manufacturer's performance guarantee is for the incinerator to process up to 50 dry tons per day of municipal sewage sludge. The City must dispose of the ash and dried end-product generated by the Facility in the City's South End Disposal Area for the life of the Operating Agreement without charge.

**Recreation:** The City has over 1,000 acres dedicated to recreation totaling 22 parks and 15 parklets. There are six recreation centers, two municipal-owned 18-hole golf courses, 24 playgrounds, two deck-hockey rinks, three outdoor swimming pools, one lake facility, 16 spray pools, a municipal stadium, 42 tennis courts, and 27 softball fields that are at the disposal of the public. Over the past nine years, the City received State grants totaling more than \$5.5 million for park improvements.

**Utilities:** Natural gas is provided for the community by Yankee Gas. The number of gas meters as of March 1, 2001 was 24,496. The Connecticut Light & Power Company provides electrical power for Waterbury. There were a total of 54,653 electric meters in Waterbury as of December 30, 2000.

**Educational System:** The City's school system serves grades pre-kindergarten through twelve and is governed by the local Board of Education. Waterbury has a 10-member Board of Education elected to four-year staggered terms. The primary function of the Board is to establish policy. Some of the areas for which such policies are set include curriculum, budget requests submission, ensuring funds for education as appropriated by the City are properly expended, implementation of both State and Federal laws, and planning for facilities needed by the system, including construction and renovation.

The City has 19 elementary schools, including two magnet schools, seven middle schools, and four high schools. Maloney Magnet School was completed in 1996, and Rotella Magnet School opened in October 2000. A third magnet school is planned as part of the Downtown Development Plan. The magnet schools address a statewide mandate for greater social and ethnic diversity. Non-public schools include eleven elementary schools, four high schools and a vocational-technical high school.

The Waterbury Board of Education requires "School Performance Reports" from all principals to promote accountability for school performance, particularly related to tested student achievement. Waterbury's Assistant Superintendent for Instruction has developed plans aimed at improving the curriculum, improving staff training and teaching practices, developing a system of academic accountability, and reconsidering the traditional school calendar. Waterbury has also signed a contract with the Connecticut Academy of Math and Science ("CAMS"), a non-profit corporation based in New Britain, Connecticut, to help improve student performance in these areas. CAMS is federally funded and provides similar services for a number of Connecticut municipalities. The 1999 Connecticut Mastery Test (CMT) show significant gains by Waterbury's fourth- and sixth-graders in math and writing. In the new third generation CMT administered in 2000, the City has either sustained or increased its scores. School officials attribute such gains to the school system's increased focus on areas determined to need improvement, revised curriculum, the Connecticut Mastery Test preparatory Saturday school for third-graders, a remedial summer school and after-school programs that were implemented last year.

## SCHOOL ENROLLMENT<sup>1</sup>

<u>School Year</u>	<u>Historical</u>				<u>Total Enrollment</u>
	<u>Elementary (K-5)</u>	<u>Middle (6-8)</u>	<u>Senior High (9-12)</u>	<u>Special Education</u>	
1991-1992	6,959	3,129	3,064	207	13,359
1992-1993	7,147	3,119	3,081	221	13,568
1993-1994	7,317	3,038	3,065	231	13,651
1994-1995	7,556	3,013	2,986	314	13,869
1995-1996	7,663	2,941	2,747	621	13,972
1996-1997	7,780	3,151	2,887	347	14,165
1997-1998	7,832	3,304	2,908	461	14,505
1998-1999	8,272	3,538	3,097	N/A	14,907
1999-2000	8,464	3,675	3,183	N/A	15,322
2000-2001	8,550	3,859	3,340	N/A	15,749

<u>School Year</u>	<u>Projected</u>				<u>Total Enrollment</u>
	<u>Elementary (K-5)</u>	<u>Middle (6-8)</u>	<u>Senior High (9-12)</u>	<u>Special Education</u>	
2001-2002	8,735	4,043	3,490	N/A	16,268
2002-2003	8,920	4,223	3,640	N/A	16,783
2003-2004	9,105	4,403	3,790	N/A	17,298
2004-2005	9,290	4,583	3,940	N/A	17,813
2005-2006	9,475	4,763	4,090	N/A	18,328
2006-2007	9,660	4,943	4,240	N/A	18,843

Source: Waterbury Board of Education

<sup>1</sup> School populations reported as of the end of each school year. Projections represent estimates of the Waterbury Board of Education.

**CITY EMPLOYEE BARGAINING ORGANIZATIONS<sup>1</sup>**

<u>Employees</u>	<u>Bargaining Organization</u>	<u>Number of Employees</u>	<u>Current Contract Expiration Date</u>
<b>General Government</b>			
Inspectors, Secretaries, Clerks	City of Waterbury Employee Association	639	6/30/00 <sup>2</sup>
Public Works, School Maintenance	AFSCME, AFL-CIO Local 353	463 <sup>3</sup>	6/30/99 <sup>4</sup>
Police	Waterbury Police Union Local 1237	317	6/30/00 <sup>5</sup>
Fire	Waterbury Fire Fighters Local 1339	320	6/30/99 <sup>4</sup>
Nurses	CT Health Care Association	46	6/30/00 <sup>2</sup>
Management	Waterbury Municipal Administrators Association	41	6/30/02 <sup>2</sup>
<b>Board of Education</b>			
Teachers	Waterbury Teachers Assoc.	1,286	6/30/03
School Administrators	School Admin. of Waterbury	65	6/30/03
Cafeteria Aides	Cafeteria Union, Local 760, CSEA, Inc.	127	6/30/01
School Crossing Guards	SEIU AFL-CIO	125	6/30/02 <sup>2</sup>
Employees of Federal Grant Programs	Local 531 Service Employee International Union	54	8/31/00 <sup>2</sup>

<sup>1</sup> As of March 2000.

<sup>2</sup> In negotiation.

<sup>3</sup> Includes all school custodians.

<sup>4</sup> In arbitration.

<sup>5</sup> The City is currently appealing a State of Connecticut Labor Board opinion upholding a successor labor agreement which is dated to expire June 30, 2005.

General Statutes Sections 7-473c, 7-474, and PA 92-84 provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of an affected municipality may reject the arbitration panel's decision within thirty days of its rendering by a two-thirds majority vote. The State and the employee organization must be advised in writing of the reasons for rejection within ten days thereof. The State will then appoint a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. Within twenty days of the review, the panel may accept the last best offer of either party or anything in between. In reaching its determination, the arbitration panel shall give priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. In the light of the employer's financial capability, the panel shall consider prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

Notwithstanding the foregoing, Special Act 01-1 provides that the Assistance Board may approve or reject all collective bargaining agreements for a new term and other modifications, amendments or reopeners to an agreement, to be entered into by the City or any of its agencies or administrative units, including the board of education; and with respect to labor contracts in or subject to binding arbitration, serve as the binding arbitration panel. In accordance with the Act, all decisions made by the Assistance Board are considered final.



## WATERBURY FINANCIAL PLANNING AND ASSISTANCE BOARD

In response to the City's increasing accumulated deficit and growing cash flow deficits, the State created the Assistance Board to assist the City in resolving its current financial situation. Special Act 01-1 created the Waterbury Financial Planning and Assistance Board (the "Assistance Board"), comprised of the following members: The Secretary of the Office of Policy and Management or the Secretary's designee, who shall serve as the chairman; the State Treasurer or the Treasurer's designee; the Mayor of the City of Waterbury; and four members appointed by the Governor, one of whom shall be a resident of the City of Waterbury (the "City"), one of whom shall be affiliated with a business located in the City, one of whom shall have an expertise in finance and one of whom shall be the chief executive officer of a bargaining unit representing employees of the City who is jointly recommended by a majority of the chief executive officers of such units.

The members of the Assistance Board as of March 9, 2001 are:

<u>Name</u>	<u>Appointing Authority</u>	<u>Position</u>
Marc S. Ryan	ex officio	Secretary of the Office of Policy and Management
Denise L. Nappier	ex officio	State Treasurer
Philip A. Giordano	ex officio	Mayor, City of Waterbury
George Hajjar	Governor	Owner, David Jewelers (Resident)
Ralph Carpinella	Governor	President, Carpin Manufacturing, Inc. (Business Owner)
James Mullen	Governor	Chairman, H.D.Segur, Inc.
Jack Cronan	Governor	President, Waterbury Teachers' Association

The Assistance Board is given the following powers, duties and functions under the Act: The Assistance Board shall review and approve or disapprove the City's annual budget, including, but not limited to, the governmental funds, enterprise funds, and internal service funds; review and approve or disapprove an initial financial plan of the City; review and approve or disapprove the proposed terms of any deficit funding bonds or interim funding obligations pursuant to the Act or any other bonds, notes or other obligations of the City; approve or reject all collective bargaining agreements for a new term and other modifications, amendments or reopeners to an agreement, to be entered into by the City or any of its agencies or administrative units, including the board of education; with respect to labor contracts in or subject to binding arbitration, serve as the binding arbitration panel; review and approve or disapprove any contract and any renewal, extension or modification thereof not covered by collective bargaining contemplating the expenditure in either the current or any future fiscal year of more than fifty thousand dollars and set aside any contracts which have not been authorized in accordance with the requirements of any state or local law; review and approve all bond ordinances and bond resolutions of the City; approve transfers of appropriations made by the Board of Aldermen; appoint one or more independent auditors; audit compliance with the financial plan and the annual budget; require the City to implement such measures relating to the efficiency and productivity of the City's operations and management as the Assistance Board deems appropriate; obtain information on the financial condition and needs of the City; monitor compliance with, require implementation or implement the provisions governing revaluation; monitor the funding of pension contributions in accordance with actuarial recommendations; approve or disapprove or appoint the chief negotiator for the City for the purposes of collective bargaining; study the City's unfunded pension liability and within two years report to the Governor and the General Assembly recommendations on addressing the unfunded liability; and report to the Governor and the General Assembly on or before July 1, 2001, and every six months thereafter, regarding the fiscal condition of the City and compliance with the Act.

In addition to the foregoing, the Assistance Board may: review and approve or disapprove the budget of the City's board of education on a line item basis and may require the board of education to submit to it any budget transfers; appoint an emergency financial and administrative manager and delegate to such manager, in writing, such powers as the Assistance Board deems necessary or appropriate for the purpose of managing the financial and administrative affairs of the City; retain such consultants experienced in the field of municipal finance, municipal law, governmental operations and administration or governmental accounting as it shall deem necessary or desirable for accomplishing its purposes; make a request to the representative of an employee bargaining unit or the unit members to reopen the negotiation process and present a proposed revision to a contract; order any official or employee of the City or any agency or administrative unit thereof, including any member or employee of the board

of education, to implement any decisions of the Assistance Board; override any action or decision of the Mayor, Board of Aldermen or other City employee which action or decision affects the economic viability of the City, including, but not limited to, decisions with respect to personnel and other administrative hires; review any existing contract of the City, not covered by collective bargaining, to determine if such contract is in the best interest of the City and shall have the power to set aside such contract provided there is no significant penalty to the City as a result of such action; and issue deficit funding bonds and interim funding obligations in the name and on behalf of the City as provided in the Act and in doing so, require the City to comply with the provisions of the Act.

The Assistance Board shall remain in existence and exercise the powers, duties and functions granted to it by the Act until such time as the general fund, special revenue funds, enterprise funds, and internal service funds of the City shall have, for five consecutive fiscal years, maintained a positive unreserved fund balance and retained earnings balance, in accordance with audits required by the general statutes and the Assistance Board, by resolution, determines that: (1) there have been no annual budgetary deficits for the general fund of the City for five consecutive fiscal years; (2) the City has presented and the Assistance Board has approved a financial plan that projects positive unreserved fund balances and retained earnings for the general fund, special revenue funds, enterprise funds and internal service funds for the three succeeding consecutive fiscal years covered by such financial plan in accordance with generally accepted accounting principles and the Act; and (3) the audits for five consecutive fiscal years have been completed and are unqualified relating to the annual reporting of results of operations for all governmental funds, enterprise funds, and internal service funds.

If, during the period during which any borrowings of the City secured by a special capital reserve fund pursuant to the Act or pursuant to Special Act 96-3 remain outstanding, the City incurs an audited annual budgetary deficit in its general fund in excess of one-half of one per cent of its most recently completed annual budget, fails to fund pension contributions in accordance with actuarial recommendations, fails to implement revaluation in accordance with section 12-62 of the general statutes or fails to fund its internal service funds at a level necessary to avoid the accumulation of retained earnings deficits, the Assistance Board may, at the direction of the Secretary, be reestablished and may reassume the duties, powers and functions granted to it by the Act and shall remain in existence until the provisions of the Act are again satisfied.

If, at any time, the City has failed to levy necessary taxes or to levy a tax which, in addition to the other estimated yearly revenue of the City, is sufficient to pay the general fund current expenditures of the City, the Board of Aldermen, or, if the Board of Aldermen fails to act within thirty days of notice thereof from the Assistance Board of the Assistance Board's intention to proceed under this section, the Assistance Board, may make a rate bill upon the City's list applicable to such fiscal year for the amount necessary, or for an amount sufficient, to pay all or a portion of the annual budgetary deficit and cause the same to be collected as due.

Six months after the end of the review period, the existence of the Assistance Board and all other provisions of the Act shall terminate, except that certain provisions of the Act shall remain in full force and effect and a copy of the annual budget and actuarial valuation of the City shall be sent to the Secretary of the Office of Policy and Management for so long as any bonds or notes issued pursuant to this act remain outstanding.

**ECONOMIC AND DEMOGRAPHIC INFORMATION**

**POPULATION AND DENSITY**

<b>Year</b>	<b>City of Waterbury</b>			<b>New Haven County</b>		<b>State of Connecticut</b>	
	<b>Population</b>	<b>% Change</b>	<b>Density<sup>1</sup></b>	<b>Population</b>	<b>% Change</b>	<b>Population</b>	<b>% Change</b>
2000	107,271	(1.6)	3,803.9	824,008	2.5	3,405,565	3.6
1990	108,961	5.5	3,863.9	804,219	5.6	3,287,116	5.8
1980	103,266	(4.4)	3,661.9	761,337	2.2	3,107,576	2.5
1970	108,033	0.8	3,831.0	744,948	12.8	3,032,217	19.6
1960	107,130	2.5	3,798.9	660,315	21.0	2,535,235	26.3
1950	104,477	-	3,704.9	545,784	-	2,007,280	-

<sup>1</sup> Density based on 28.2 square miles.

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 1950–2000.

**CITY OF WATERBURY  
PROJECTED POPULATION AND DENSITY**

<b>Year</b>	<b>Projected Population</b>	<b>Projected Percent Change During Decade</b>	<b>Projected Density<sup>1</sup></b>
2010	106,500	(0.7)	3,776.6
2020	106,500	0	3,776.6

<sup>1</sup> Density based on 28.2 square miles.

Source: State of Connecticut, Office of Policy and Management, Connecticut Population Projections, April 2000.

**AGE DISTRIBUTION OF THE POPULATION**

<b>Age</b>	<b>City of Waterbury</b>		<b>New Haven County</b>		<b>State of Connecticut</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
0–4	8,597	7.9	56,626	7.0	228,356	6.9
5–17	16,964	15.6	125,992	15.7	521,225	15.9
18–24	11,570	10.6	86,224	10.7	345,433	10.5
25–44	35,237	32.3	266,454	33.1	1,094,878	33.3
45–64	18,668	17.1	150,946	18.8	651,317	19.8
65+	17,925	16.5	117,977	14.7	445,907	13.6
Total	108,961	100.0	804,219	100.0	3,287,116	100.0

**Median Age**

	<b>1980</b>	<b>1990</b>
City of Waterbury	32.7	33.1
New Haven County	32.0	34.2
State of Connecticut	32.0	34.4

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 1980–90.

## INCOME DISTRIBUTION

<u>Income for Families</u>	<u>City of Waterbury</u>		<u>New Haven County</u>		<u>State of Connecticut</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
\$ 0 – 9,999	2,631	9.2	12,729	6.0	43,451	5.0
10,000 – 24,999	6,197	21.7	31,039	14.7	116,726	13.4
25,000 – 49,999	10,420	36.5	73,574	34.8	284,502	32.6
50,000 – 74,999	6,558	23.0	55,542	26.2	227,054	26.0
75,000 – 99,999	1,797	6.3	21,902	10.3	100,097	11.5
100,000 – 149,999	733	2.6	11,591	5.5	61,355	7.0
150,000 or more	199	0.7	5,280	2.5	39,026	4.5
Total	28,535	100.0	211,657	100.0	872,211	100.0

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 1990.

## INCOME LEVELS

	<u>City of Waterbury</u>	<u>New Haven County</u>	<u>State of Connecticut</u>
Per capita income 1989	\$14,209	\$17,666	\$20,189
Median family income 1989	37,942	46,058	49,199
Median household income 1989	30,533	38,471	41,721
% below poverty level 1989	12.1%	7.9%	6.8%

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 1990.

## EDUCATIONAL ATTAINMENT

(Years of School Completed, Age 25 and over)

<u>Educational Attainment</u>	<u>City of Waterbury</u>		<u>New Haven County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9th grade	10,972	15.3	48,420	9.0	185,213	8.4
9th to 12th grade, no diploma	12,888	17.8	72,094	13.4	271,995	12.4
High school graduate	22,346	31.1	167,952	31.3	648,366	29.5
Some college, no degree	10,980	15.3	83,667	15.6	350,418	15.9
Associate degree	4,578	6.4	34,847	6.5	145,278	6.6
Bachelor degree	6,454	9.0	73,656	13.7	356,289	16.2
Graduate or professional degree	3,689	5.1	56,050	10.5	241,404	11.0
Total	71,907	100.0	536,686	100.0	2,198,963	100.0
Percent high school graduate or higher	–	66.8	–	77.5	–	79.2
Percent bachelor degree or higher	–	14.1	–	24.2	–	27.2

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 1990.

**EMPLOYMENT DATA BY INDUSTRY**

(Employed Persons, 16 years and over)

	<u>City of Waterbury</u>	<u>New Haven County</u>	<u>State of Connecticut</u>	<u>New England Region</u>	<u>United States</u>
Farms & forestry	347	3,427	20,497	80,392	3,115,372
Mining & construction	2,721	22,906	101,191	327,440	7,938,186
Manufacturing	13,904	85,770	346,552	1,032,416	20,462,078
Transportation & public utilities	2,948	28,155	100,658	318,383	3,607,142
Wholesale trade	2,156	17,540	70,375	224,824	5,071,026
Retail trade	8,346	64,760	260,829	893,985	19,485,666
Finance, insurance, & real estate	3,156	30,890	176,421	407,048	7,984,870
Services	15,527	139,477	553,865	1,509,300	37,880,865
Public administration	<u>2,279</u>	<u>14,500</u>	<u>62,486</u>	<u>221,749</u>	<u>5,538,077</u>
Total	51,384	407,425	1,692,874	5,015,537	111,083,282

**EMPLOYMENT DATA**

	<u>Percent Unemployed</u>				
	<u>City of Waterbury</u>		<u>City of</u>	<u>Waterbury</u>	<u>State of</u>
	<u>Employed</u>	<u>Unemployed</u>	<u>Waterbury</u>	<u>Labor</u>	<u>Connecticut</u>
March 2001	50,057	1,879	3.6	2.8	2.1
Annual average 1999	49,553	2,507	4.8	3.8	3.2
Annual average 1999	49,553	2,507	4.8	3.8	3.2
Annual average 1998	50,550	2,724	5.1	4.0	3.4
Annual average 1997	50,756	3,885	7.1	5.8	5.1
Annual average 1996	48,619	4,374	8.3	6.5	5.7
Annual average 1995	48,282	3,996	7.6	6.3	5.5
Annual average 1994	48,216	4,286	8.2	6.8	5.6
Annual average 1993	51,013	4,785	8.6	7.5	6.2
Annual average 1992	51,106	6,419	11.2	9.5	7.5

Source: State of Connecticut, Labor Department, Office of Research.

**MAJOR EMPLOYERS**

As of April, 2001

<u>Employer</u>	<u>Nature of Business</u>	<u>Full-Time Equivalent Employees</u>
City of Waterbury	Government	3,653
State of Connecticut	Government	1,611
Waterbury Hospital	Medical facilities & research	1,345
St. Mary's Hospital	Medical facilities	1,225
Southern New England Telephone	Communications	500 <sup>1</sup>
United States Postal Service	Federal government	480
Naugatuck Valley Community-Technical College	Technical education	409
MacDermid, Inc.	Specialty chemicals	301
Waterbury Republican American	Newspaper publishers	243.5
Perkin-Elmer OptoElectronics (formerly Voltarc)	Electrical equipment	233
Webster Bank	Financial institution	181
VNA Health Care, Inc.	Health care provider	150

<sup>1</sup> Total number of full-time employees.

## HOUSING UNIT INVENTORY AND VACANCY RATES

<u>Housing Units</u>	<u>City of Waterbury</u>		<u>New Haven County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Units in structure						
1 unit, detached	16,257	34.3	167,225	51.1	748,626	56.7
1 unit, attached	2,207	4.7	18,014	5.5	66,681	5.0
2 to 4 units	15,662	33.2	72,773	22.2	243,600	18.4
5 to 9 units	4,379	9.3	19,172	5.9	75,497	5.7
10 or more units	7,968	16.9	43,088	13.2	155,492	11.8
Mobile home, trailer, other	<u>732</u>	<u>1.6</u>	<u>6,807</u>	<u>2.1</u>	<u>30,954</u>	<u>2.4</u>
Total units	47,205	100.0	327,079	100.0	1,320,850	100.0
Occupied housing units	43,164	91.4	304,730	93.2	1,230,479	93.2
Vacant housing units	<u>4,041</u>	<u>8.6</u>	<u>22,349</u>	<u>6.8</u>	<u>90,371</u>	<u>6.8</u>
Total units	47,205	100.0	327,079	100.0	1,320,850	100.0
Mean number of rooms per unit	4.9	–	5.4	–	5.7	–
Homeowner vacancy rate	–	2.0	–	1.8	–	1.9
Rental vacancy rate	–	8.7	–	7.5	–	6.9

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 1990.

## BREAKDOWN OF LAND USE

<u>Land Use Category</u>	<u>Total Area</u>	
	<u>Acres</u>	<u>Percent</u>
Residential	7,580	40.9
Commercial/Industrial	2,775	14.9
Farm	43	0.2
Other (Open space & recreational community facilities, undeveloped, resource extraction, water)	<u>8,155</u>	<u>44.0</u>
Total	18,553	100.0

Source: Council of Governments, Central Naugatuck Valley Planning Region, 1990 Land Use Survey.

## Plan of Development

The first phase in updating the Plan, a draft community assessment report compiled by a private firm, became available to the public in December 1999 for review and comment. The community assessment gives a profile of existing conditions in the City and provides data for decisions on land use, land-use policy, economic development and preservation. The second phase of the plan will include recommendations for the future. The City's Plan of Development was last updated in 1971 when the City was an industrial-based community.

## NUMBER AND VALUE OF BUILDING PERMITS

<u>Fiscal Year</u>	<u>Residential</u>		<u>Industrial/ Commercial</u>		<u>Other</u>		<u>Total</u>	
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>
2000-01 <sup>1</sup>	344	\$5,910,960	117	\$12,982,000	58	\$1,796,800	519	\$20,689,760
1999-00	752	8,954,361	164	23,932,074	110	394,050	1,026	33,280,485
1998-99	704	8,816,883	203	25,331,472	2,281	19,655,964	3,188	53,804,319
1997-98	649	6,261,253	328	23,714,070	2,930	77,326,619	3,907	107,301,942
1996-97	618	8,733,867	181	48,725,747	2,141	33,457,364	2,940	90,916,978
1995-96	782	10,100,274	331	9,501,860	2,100	13,674,114	3,213	33,276,248
1994-95	892	11,380,959	386	26,615,494	2,379	13,324,456	3,657	51,120,909
1993-94	851	10,540,902	360	10,151,942	2,380	19,011,375	3,591	39,704,219

<sup>1</sup> Through December 31, 2000.

Source: City of Waterbury Building Inspector's Office.

## RETAIL SALES, BY TYPE OF BUSINESS, AND ALL OTHER OUTLETS

	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Retail stores:					
Hardware	\$16,460,634	\$15,515,406	\$13,509,761	\$15,695,627	\$15,099,135
General merchandise	6,824,635	6,823,295	7,952,276	7,088,050	7,936,764
Food products	122,910,533	97,361,413	86,279,685	66,398,901	66,676,202
Automotive products	163,392,895	155,620,402	166,923,477	158,622,290	131,882,741
Apparel & accessories	41,074,637	37,358,034	39,349,449	44,840,515	41,165,620
Home furnishings & appliances	29,727,815	26,895,037	28,309,554	28,032,644	26,196,242
Eating & drinking places	100,024,084	97,709,742	91,257,672	91,510,263	93,707,480
Miscellaneous shopping goods	<u>408,663,114</u>	<u>383,434,096</u>	<u>390,948,713</u>	<u>380,488,008</u>	<u>341,951,822</u>
Subtotal	889,078,347	820,717,425	824,530,587	792,676,298	724,616,006
All other outlets	<u>495,392,962</u>	<u>498,153,580</u>	<u>539,407,047</u>	<u>548,348,238</u>	<u>521,934,553</u>
Total all outlets	\$1,384,471,309	\$1,318,871,005	\$1,363,937,634	\$1,341,024,536	\$1,246,550,559
Percent change over Prior year	5.0%	(3.3)%	1.7%	7.8%	-

Source: State of Connecticut, Department of Revenue Services.

## REVENUE AND TAX POLICY

### **Property Tax Assessment**

In accordance with State law, the City conducted a general revaluation of real property effective as of October 1, 1977. Public Act 97-254 amended Connecticut General Statutes Section 12-62 and changed the revaluation cycle for Connecticut municipalities to include a revaluation every four years and a physical inspection of all real properties once every twelve years, with the first such inspection no later than 2009. Through a series of acts of the Connecticut General Assembly, including Public Act 95-283, 96-171 and 96-218, Waterbury and several other

Connecticut municipalities were given the right to defer revaluation until the October 1, 1998 grand list (effective for fiscal year 2000). Per Public Act 97-254, the City was required to revalue its real estate portion of the grand list for the October 1998 grand list and every four years thereafter.

The maintenance of an equitable tax base and the location and appraisal of all real and personal property within the City for inclusion onto the grand list is the responsibility of the Assessor's Office. The grand list represents the total assessed values for all taxable real and personal property and motor vehicles located within the City on October 1. Each year a Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments for real property are computed at 70% of the estimated market value at the time of the last general revaluation while assessments for motor vehicles and personal property are computed at 70% of their annual values. (See below.)

When a new structure, or modification to an existing structure, is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Official. A physical appraisal is then completed and the structure classified and priced from a schedule developed at the time of the last general revaluation. Property depreciation and obsolescence factors are also considered when arriving at an equitable value.

Although the City did not meet its statutory obligation for the 1998 or 1999 grand lists, the State agreed to waive any penalty based on a memorandum of understanding between the City and the State pursuant to Section 18 of Public Act 99-189. This memorandum of understanding required the City to implement a physical inspection and a revaluation for the October 2000 grand list, effective for fiscal year 2002, and a revaluation for the October 2002 grand list. The City hired a private contractor, Sabre Systems, Inc., to perform the physical appraisals. Sabre Systems, Inc. has not completed its appraisals, and, as a result, the City currently projects that it is unlikely that revaluation will be completed in a manner that will allow compliance with its memorandum of understanding with the State of Connecticut. The Act provides that if the City is unable to implement revaluation for the October 2000 grand list or any subsequent grand list, the State shall impose a fine on the City in an amount to be determined by the Secretary of the Office of Policy and Management.

All personal property (furniture, fixtures, equipment, and machinery) is revalued annually. An Assessor's check and audit is completed periodically.

Motor vehicle lists are furnished to the City by the State of Connecticut and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule recommended by the State Office of Policy and Management in cooperation with the Connecticut Association of Assessing Officials. Connecticut General Statutes Section 12-71b provides that motor vehicles that are registered with the Commissioner of Motor Vehicles after the October first assessment date but before the next July first, are subject to a property tax as if the motor vehicle has been included on the October grand list. The tax is not due until January first, a year and three months after the grand list date.

### **Property Tax Levy and Collection**

Property taxes are levied on all taxable assessed property on the grand list of October 1 prior to the beginning of the fiscal year. Real property taxes and motor vehicle taxes are payable in two installments on July 1 and January 1. Motor vehicle supplemental bills are payable on January 1. A modest estimate for outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Payments not received within one month after the due date become delinquent, with interest charged at the rate of one and one-half percent per month from the due date on the tax. In accordance with State law, the oldest outstanding tax is credited first. Outstanding real estate tax accounts are lien-ed each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Delinquent motor vehicle and personal property accounts are transferred to a suspense account after three years at which time they cease to be carried as receivables. Real estate accounts are transferred to suspense 15 years after the due date in accordance with State statutes.

Property tax revenues are recognized when they become available. Available means due or past due and receivable within the current period or expected to be collected, but within 60 days, to be used to pay liabilities of the current



period. Property taxes receivable not expected to be collected during the available period are reflected as a deferred revenue. See footnote 2, "Tax Collections" herein for additional information about tax collections.

Section 12-165 of the Connecticut General Statutes, as amended, requires each municipality to write off, on an annual basis, the property taxes which are deemed to be uncollectable.

**TAX COLLECTIONS**

<b>Grand List as of October 1</b>	<b>Fiscal Year Ended June 30</b>	<b>Net Taxable Grand List<sup>1</sup></b>	<b>Mill Rate</b>	<b>Adjusted Annual Levy<sup>2</sup></b>	<b>% of Annual Levy Collected at End of Fiscal Year</b>	<b>% of Annual Levy Uncollected at End of Fiscal Year</b>	<b>Percent of Annual Levy Uncollected as of 03/31/01</b>
1999	2001	\$1,648,896	74.64	\$122,473	-----IN PROCESS-----		9.88
1998	2000	1,612,793	74.64	119,458	93.34	6.66	4.75 <sup>3</sup>
1997	1999	1,563,168	74.64	115,645	93.69	6.31	0.75 <sup>3</sup>
1996	1998	1,606,800	74.64	114,072	92.65	7.35	0.75 <sup>3</sup>
1995	1997	1,567,435	74.64	112,193	92.85	7.15	2.43
1994	1996	1,552,589	74.64	111,283	96.00	4.00	2.12
1993	1995	1,516,734	76.46	112,719	96.00	4.00	1.48
1992	1994	1,477,770	71.57	103,815	92.40	7.60	1.10
1991	1993	1,477,829	71.57	103,770	92.90	7.10	0.30

<sup>1</sup> Figures in thousands.

<sup>2</sup> Prior to the close of fiscal years 1994 and 1995, the City of Waterbury realized \$6,200,000 and \$8,100,000, respectively, from the assignment of specified delinquent tax liens on real property to GTL Investments Limited Partnership, a Delaware Limited Partnership. GTL Investments Limited Partnership has agreed to accept this assignment and assume the specific and pertinent rights, obligations and duties of the City and its tax collector as authorized by enabling legislation, Public Act No. 93-434 of the 1993 Legislative Session. The current administration has successfully concluded negotiations with GTL resolving previously disputed substitutions of "defective" delinquent tax liens.

<sup>3</sup> Under the State of Connecticut pilot program, Public Act No. 93-434, the City was empowered to enter into an agreement with Capital Asset Research Corporation., Ltd. for collection of property taxes, which agreement was subsequently assigned to Angram Business Services, Inc. effective January 25, 1999. Under this public/private partnership, the City was to be guaranteed 100% of the adjusted annual levy less a .75% collection fee. On February 1, 2000, the City was notified that Angram Business Services, Inc. ("Angram") filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code. For a complete discussion of the status of those proceedings, please see the "Angram" portion of the section entitled "LEGAL AND OTHER INFORMATION."

**SPECIAL TAX COLLECTIONS<sup>1</sup>**

<b>Grand List 10/1</b>	<b>Fiscal Year Ended 6/30</b>	<b>Mill Rate</b>	<b>Adjusted Annual Levy</b>	<b>% of Annual Levy Collected at Fiscal Year-End</b>	<b>% of Annual Levy Uncollected at Fiscal Year-End</b>	<b>% of Annual Levy Uncollected as of 3/31/01</b>
1999	2000	5.88	\$9,611 <sup>2</sup>	----- IN PROCESS -----		18.52

<sup>1</sup> Under Connecticut General Statutes, Title 12-123, local governments may levy a special assessment sufficient to pay current expenses when necessary.

<sup>2</sup> Figures in thousands.

**PRINCIPAL TAXPAYERS**

10/1/99 Grand List

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Assessment</u>	<u>Percent of Net Taxable Grand List of 10/1/99</u>
General Growth Properties <sup>1</sup>	Retail	\$37,534,550	2.27
Connecticut Light & Power	Utility	31,827,830	1.93
Yankee Gas Company	Utility	15,948,710	0.97
U.S. Bancorp Leasing	Leasing	13,210,530	0.80
Truelove & Maclean, Inc.	Manufacturing	11,861,350	0.72
Olin Corporation	Manufacturing	11,313,410	0.69
Clydel Mfg. Company	Manufacturing	10,532,930	0.64
MacDermid Incorporated	Chemicals	10,306,130	0.62
Webster Bank	Bank	7,306,260	0.44
Bank Boston, N.A. <sup>2</sup>	Bank	<u>6,529,280</u>	<u>0.40</u>
Total		\$156,370,980	9.48

<sup>1</sup> Brass Mill Center

<sup>2</sup> On October 1, 1999, Bank Boston, N.A. was acquired by Fleet Bank. In early 2000, two of Fleet's Waterbury branch offices were sold to Sovereign Bank as part of a divestiture of assets required by the F.D.I.C.

**COMPARATIVE ASSESSED VALUATIONS OF TAXABLE PROPERTY<sup>1</sup>**

(\$ in thousands)

<u>Grand List Oct 1</u>	<u>Residential Real Property</u>	<u>Commercial and Industrial Real Property</u>	<u>Other Land</u>	<u>Personal Property</u>	<u>Motor Vehicle</u>	<u>Gross Taxable Grand List</u>	<u>Net of State Grants &amp; Exemptions</u>	<u>Net Taxable Grand List</u>	<u>Percent Increase/ (Decrease)</u>
1999	41.3%	23.3%	1.4%	17.6%	16.4%	\$1,753,366	\$103,368	\$1,649,998	2.3%
1998	42.7%	23.2%	1.3%	17.2%	15.6%	1,718,956	106,163	1,612,793	2.6%
1997	38.0%	29.1%	1.4%	15.9%	15.6%	1,679,010	106,862	1,572,148	2.3%
1996	39.1%	27.5%	1.7%	14.9%	16.8%	1,630,447	93,072	1,537,375	1.7%
1995	40.1%	27.9%	1.5%	14.1%	16.4%	1,588,088	76,525	1,511,563	0.7%
1994	40.4%	29.2%	1.5%	13.8%	15.1%	1,575,367	74,598	1,500,769	-

<sup>1</sup>Date of last general revaluation, 10/1/77.

**INTERGOVERNMENTAL REVENUES AS A PERCENT OF GENERAL FUND REVENUES**

<u>Fiscal Year Ended June 30</u>	<u>Intergovernmental Revenues (in 000s)</u>	<u>General Fund Revenues (in 000s)</u>	<u>Percent</u>
2000	\$104,353	\$238,417	43.77
1999	99,076	232,712	42.57
1998	91,043	218,966	41.58
1997	90,963	243,334 <sup>1</sup>	37.38
1996	88,803	206,466	43.01
1995	85,771	212,616	40.34
1994	83,823	205,858	40.72
1993	80,190	198,330	40.43

<sup>1</sup>Includes bond proceeds.

## Pension Programs

The most recent report regarding the City of Waterbury's Pension Programs can be found in the City of Waterbury Actuarial Report, dated July 1, 2000. The City is in conformance with Governmental Accounting Standards Board Statements #25, #26, and #27. The 1996, 1997, 1998, 1999 and 2000 audited financial statements contain a "Going Concern" comment from the auditor regarding the City's unfunded pension liability. As of the valuation date, the total of the City's Actuarial Accrued Liabilities is \$424,509,647 compared with \$389,504,894 as of July 1, 1998. The Act requires the Assistance Board to study the unfunded the pension liability and not later than March 9, 2003, report to the Governor and General Assembly recommendations on addressing the unfunded liability.

## DEBT SUMMARY

Exclusive of the City's \$45,000,000 Special Capital Reserve Fund Bond Anticipation Notes dated May 22, 2001 (the "Notes") as of May 19, 2001, the City will have \$161,768,862 in long-term debt outstanding. All general obligation debt of the City is subject to the Tax Revenue Intercept except that the \$87,173,363 State of Connecticut Clean Water Fund loans, which are fully supported by user fees, are subject to the Tax Revenue Intercept only in the event of default.

### Short-Term Debt

<u>Purpose</u>	<u>Amount Authorized</u>	<u>Amount of Notes Outstanding</u>	<u>Maturity Date</u>	<u>Legal Renewable Limit</u>
Wastewater treatment facility <sup>1</sup>	\$46,981,517	\$4,120,091	N/A	N/A
Sewer System Main carrier <sup>2</sup>	28,000,000	12,366,829	N/A	N/A
Bond Anticipation Notes	<u>50,000,000</u>	<u>45,000,000</u>	4/15/02	
Total	\$124,981,517	\$61,486,920		

<sup>1</sup> The City has issued an Interim Funding Obligation to the State of Connecticut which is drawn down by the City as the project is constructed. The Interim Funding Obligation is expected to be replaced by permanent financing under the State of Connecticut Clean Water Fund ("CWF") Program at a 2% rate of interest. The authorized amount includes \$28,686,000 in CWF grants.

<sup>2</sup> The City has issued an Interim Funding Obligation to the State of Connecticut which is drawn down by the City as the project is constructed. The Interim Funding Obligation is expected to be replaced by permanent financing under the State of Connecticut CWF Program at a 2% rate of interest. The authorized amount includes \$10,556,000 in CWF grants. City officials anticipate that the IFO will be permanently financed in fiscal year 2002.

**Long-Term Debt**

**LONG-TERM DEBT  
AS OF MAY 19, 2001  
(Pro Forma)**

	<u>Date of Issue</u>	<u>Interest Rate Percent</u>	<u>Original Amount</u>	<u>Final Maturity</u>	<u>Bonds Outstanding as of 5/19/01</u>
<u>General Purpose</u>					
<i>Bureau of Water:</i>					
Water filtration plant	03/01/87	5.70%	\$18,000,000	03/01/05	\$4,000,000
<i>General Improvement Bonds:</i>					
General purpose bonds <sup>1</sup>	08/12/93	3.60–5.375	18,921,606	04/15/08	11,367,461
Grandview Avenue Bridge	03/22/96	6.00	653,647	03/22/06	326,823
G.O. Tax Revenue Intercept bonds	02/15/97	4.375–5.50	26,305,000	08/15/06	17,330,000
Washington Street Bridge	07/01/98	6.00	462,392	04/01/08	323,675
Parks Department improvements	11/15/98	4.25–5.25	505,000	02/15/18	505,000
Brass Mill Infrastructure improvements	11/15/98	4.25–5.25	8,095,000	02/15/17	8,095,000
Telecom system	11/15/98	4.25–4.75	2,450,000	02/15/08	2,450,000
Public works infrastructure	11/15/98	4.25–5.25	3,665,000	02/15/17	3,665,000
Dump closure	11/15/98	4.25–5.25	1,518,000	02/15/18	1,518,000
Silas Bronson & Bunker Hill Library	11/15/98	4.25–4.75	199,000	02/15/09	199,000
Year 2000 upgrade	11/15/98	4.25–5.25	1,315,000	02/15/02	470,000
Brass Trails project	11/15/98	4.25–5.25	257,000	02/15/16	257,000
Telecom system	02/01/00	6.00–6.50	2,500,000	02/01/10	2,500,000
Public works infrastructure	02/01/00	6.00–6.50	4,400,000	02/01/19	4,400,000
Silas Bronson & Bunker Hill Library	02/01/00	6.00–6.50	305,000	02/01/20	305,000
Total general improvement bonds					<u>\$53,711,959</u>
Total general purpose bonds					<u>\$57,711,959</u>
<u>Urban Renewal</u>					
Urban renewal bonds <sup>1</sup>	08/12/93	3.60–5.375	1,216,410	04/15/08	730,778
<u>School Bonds</u>					
School bonds <sup>1</sup>	08/12/93	3.60–5.375	8,894,326	04/15/08	5,343,410
Bd. of Ed. capital projects	11/15/98	4.25–5.25	3,795,000	02/15/18	3,795,000
Bd. of Ed. capital projects	02/01/00	6.00–6.50	3,795,000	02/01/20	<u>3,795,000</u>
Total school bonds					<u>\$12,933,410</u>
<u>Sewers</u>					
Sewer bonds <sup>1</sup>	08/12/93	3.60–5.375	987,658	04/15/08	593,352
WWTP State loan <sup>2</sup>	08/31/95	2.00	4,007,585	08/31/14	2,671,724
WWTP State loan <sup>2</sup>	07/31/97	2.00	6,447,616	07/31/16	5,093,135
WWTP State loan <sup>2</sup>	12/31/00	2.00	80,563,282	06/30/20	79,408,504
Platts Mill Pump Station	11/15/98	4.25–5.25	1,326,000	02/15/18	1,326,000
Platts Mill Pump Station	02/01/00	6.00–6.50	1,300,000	02/01/20	<u>1,300,000</u>
Total sewer bonds					<u>\$90,392,715</u>
Total long-term debt					<u>\$161,768,862</u>

<sup>1</sup> Represents amount of refunding bonds required to defease outstanding debt pursuant to the Plan of Refunding from \$30,020,000 City of Waterbury Tax Revenue Intercept Refunding Bonds dated August 12, 1993, to defease outstanding debt of the City.

<sup>2</sup> These bonds are not covered under the Tax Revenue Intercept except in the event of default.

**ANNUAL BONDED DEBT MATURITY SCHEDULE**  
**As of May 19, 2001**  
(Pro Forma)

<u>Fiscal Year Ending</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>	<u>Cumulative Principal Retired (%)</u>
2001 <sup>1</sup>	\$ 10,511,301	\$ 5,270,374	\$ 15,781,675	6.12
2002	11,132,078	5,552,698	16,684,776	12.61
2003	11,490,512	5,105,003	16,595,515	19.31
2004	11,890,327	4,628,329	16,518,656	26.23
2005	12,306,552	4,127,955	16,434,507	33.41
2006	11,734,215	3,619,249	15,353,464	40.24
2007	12,107,979	3,151,892	15,259,871	47.30
2008	9,158,604	2,748,550	11,907,154	52.63
2009	6,274,517	2,409,400	8,683,917	56.29
2010	6,438,226	2,228,356	8,666,582	60.04
2011	6,613,523	2,031,643	8,645,166	63.90
2012	6,800,442	1,827,951	8,628,393	67.86
2013	6,989,014	1,626,179	8,615,193	71.93
2014	7,184,273	1,415,790	8,600,063	76.12
2015	7,224,270	1,197,563	8,421,833	80.33
2016	7,409,609	973,801	8,383,410	84.64
2017	7,271,704	744,359	8,016,063	88.88
2018	7,463,911	510,945	7,974,856	93.23
2019	5,735,084	268,380	6,003,464	96.57
2020	<u>5,882,999</u>	<u>114,272</u>	<u>5,997,271</u>	100.00
Total	\$171,619,140	\$49,552,689	\$221,171,829	

<sup>1</sup> Includes principal payments of \$9,850,280 to be made between July 1, 2000 and May 19, 2001.

**Overlapping/Underlying Debt**

The City of Waterbury does not have any overlapping or underlying debt.

**FIVE-YEAR DEBT STATEMENT SUMMARY**  
(\$ in thousands)

	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>
Short-term debt .....	\$ 97,050 <sup>1</sup>	\$ 84,683 <sup>1</sup>	\$ 84,683 <sup>1</sup>	\$ 84,683 <sup>1</sup>	\$26,705
Long-term debt <sup>2</sup> .....	<u>98,793</u>	<u>96,731</u>	<u>71,077</u>	<u>78,398</u>	<u>50,335</u>
Total .....	\$195,843	\$181,414	\$155,760	\$163,081	\$77,040

<sup>1</sup> Includes wastewater treatment plant and main carrier construction phase Interim Funding Obligations. City officials anticipate that the IFO will be permanently financed in fiscal year 2002.

<sup>2</sup> Does not include capital leases.

**OUTSTANDING BOND AUTHORIZATIONS**  
**As of May 19, 2001**  
(Pro Forma)

<u>Project</u>	<u>Date Authorized</u>	<u>Amount Authorized</u>	<u>Bonds Issued</u>	<u>Paydowns</u>	<u>BANs Outstanding</u>	<u>Authorized But Unissued</u>
<b>This issue</b>	4/25/01	\$50,000,000	-	-	\$45,000,000	\$5,000,000
Board of Education						
capital projects	07/21/98	22,090,836	7,590,000	-	-	14,500,836 <sup>1</sup>
Park Department	08/31/98	506,056	505,000	-	-	1,056
Brass Mill infrastructure						
improvements	07/21/98	8,096,892	8,095,000	-	-	1,892
Telecom system	07/21/98	4,961,561	4,950,000	-	-	11,561
Public Works						
infrastructure	08/31/98	8,104,938	8,065,000	-	-	39,938
Platts Mill Pump						
Station	08/31/98	2,857,805	2,626,000	-	-	231,805
Dump closure	07/21/98	1,518,167	1,518,000	-	-	167
Silas Bronson & Bunker						
Hill Libraries	08/31/98	506,056	504,000	-	-	2,056
Year 2000 upgrade	08/31/98	1,315,745	1,315,000	-	-	745
Brass Trails project	08/31/98	1,276,084	257,000	-	-	1,019,084
Road improvements	03/24/88	7,330,000	5,500,000	-	-	1,830,000
School purchase and						
improvements	10/24/88	4,300,000	4,000,000	-	-	300,000
Sanitary sewers	04/24/89	2,000,000	250,000	500,000	-	1,250,000
Bridge Program <sup>2</sup>	01/26/98	3,000,000	961,952	1,500,000	-	538,048
Various public						
improvements	04/10/89	6,441,000	5,465,000	975,000	-	1,000
Public Works	03/05/90	6,800,000	3,000,000	1,700,000	-	2,100,000
Wastewater Treatment						
Plant <sup>3</sup>	11/25/94	138,000,000	91,018,483	-	4,120,091	42,861,426
Main carrier <sup>3</sup>		<u>28,000,000</u>	<u>-</u>	<u>-</u>	<u>12,366,829</u>	<u>15,633,171</u>
Total		\$297,105,140	\$145,620,435	\$4,675,000	\$61,486,920	\$85,322,785

<sup>1</sup> Under new State procedures concerning funding of school construction projects, municipalities may request progress payments from the State during the projects' construction. The City expects to receive approximately 66% of project costs, or \$14,500,000, from the State in the form of progress payments, thus reducing the need for borrowing by that amount.

<sup>2</sup> Local Bridge Program Loan and Grant.

<sup>3</sup> The City has signed Interim Funding Agreements with the State of Connecticut for the construction of wastewater treatment facilities and repairs to its main carrier which will be permanently financed through the State of Connecticut Clean Water Fund Program at a 2% rate of interest. City officials anticipate that the IFO will be permanently financed in fiscal year 2002.

**CURRENT DEBT STATEMENT**

(Pro Forma)

General Purpose Bonds	\$57,711,959
School Bonds	12,933,410
Urban Renewal Bonds	730,778
Sewer Bonds	90,392,715
State of Connecticut Interim Funding Obligations	16,486,920
Bond Anticipation Notes	<u>45,000,000</u>
TOTAL DIRECT DEBT <sup>1,2</sup>	<u>\$223,255,782</u>
Less:	
School construction grants <sup>3</sup>	502,234
Self-supporting water bonds	4,000,000
Self-supporting sewer debt	<u>106,879,635</u>
Total grants/self-supporting debt	\$111,381,869
 NET DEBT	 \$ 111,873,913

<sup>1</sup> The City has entered into a 20-year agreement for design, construction and operation of sludge treatment facilities. The agreement with NETCO ("NETCO") calls for a base annual fee of \$1,601,600 with additional payments of \$280/ton for amounts over the specified contract tonnage (5,720 tons). At the end of the contract the City will purchase the facility from NETCO for \$1. The total contract value is \$32,032,000; 64% (\$20.382 million) is attributable to operation of the plant; 36% (\$11.65 million) is attributable to the facility's acquisition. At June 30, 2000, the net present value of minimum lease payments under this agreement was \$7,773,594.

<sup>2</sup> The City of Waterbury enters into capital lease arrangements for certain routine equipment acquisitions. As of June 30, 2000, the City's general long-term debt account group contained a balance of \$2,156,861 for such purchases.

<sup>3</sup> The State of Connecticut has approved a school construction grant in support of certain bonds. The final grant calculation for both principal and interest is made upon completion of the projects with appropriate adjustments made for ineligible costs.

**CURRENT DEBT RATIOS**

(Pro Forma)

Population (2000) <sup>1</sup>	107,271
Net taxable grand list, 10/1/99	\$1,649,997,895
Estimated full value at 70%	\$2,357,139,850
Equalized net taxable grand list (1998) <sup>2</sup>	\$4,141,339,727
Income per capita money (1996) <sup>3</sup>	\$23,248

	<b>Direct Debt</b>	<b>Net Debt</b>
	<b><u>\$223,255,782</u></b>	<b><u>\$111,873,913</u></b>
Per capita	\$2,081.23	\$1,042.91
Ratio to net taxable grand list	13.53%	6.78%
Ratio to estimated full value	9.47%	4.75%
Ratio to equalized net taxable grand list	5.39%	2.70%
Per capita debt to per capita income	8.95%	4.49%

<sup>1</sup> U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 1990.

<sup>2</sup> State of Connecticut, Office of Policy and Management.

<sup>3</sup> DataCore Partners, Inc.

**RATIO OF ANNUAL DEBT SERVICE TO GENERAL FUND EXPENDITURES**  
(\$ in thousands)

<u>Fiscal Year</u> <u>Ended 6/30</u>	<u>Annual</u> <u>Debt Service</u>	<u>General Fund</u> <u>Expenditures</u> <u>&amp; Transfers</u>	<u>Percent</u>
2000	\$14,934	\$253,399	5.89
1999	7,864	232,712	3.70
1998	7,996	227,056	3.52
1997	6,001	213,879	2.81
1996	4,461	223,787	1.99
1995	5,142	219,978	2.34
1994	1,418	202,687	0.70

**STATEMENT OF STATUTORY DEBT LIMITATION AND DEBT MARGIN**  
As of May 19, 2001  
(Pro Forma)

**Debt Limitation Base**

Total tax collections (including interest and lien fees) for the fiscal year ended June 30, 2000	\$116,591,096
Reimbursement for revenue loss on Elderly Tax Relief	<u>62,330</u>
Debt limitation base	\$116,653,426

**COMPUTATION OF DEBT LIMITATION AND DEBT MARGIN<sup>1</sup>**

	<u>General</u> <u>Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban</u> <u>Renewal</u>	<u>Pension</u> <u>Deficit</u> <u>Funding</u>
<b>Multiple of Base</b>					
2 ¼ times base	\$262,470,209	\$ -	\$ -	\$ -	\$ -
4 ½ times base	-	524,940,417	-	-	-
3 ¾ times base	-	-	437,450,348	-	-
3 ¼ times base	-	-	-	379,123,635	-
3 times base	-	-	-	-	<u>349,960,278</u>
Total debt limitation	<u>262,470,209</u>	<u>524,940,417</u>	<u>437,450,348</u>	<u>379,123,635</u>	<u>349,960,278</u>
<b>Indebtedness</b>					
Bonds payable	53,711,959	12,933,410	90,392,715	730,778	-
Bonds authorized but unissued	55,545,547	14,800,836	59,976,402	-	-
State of Connecticut Interim Funding Obligations	-	-	16,486,920	-	-
Less school construction grants	-	<u>(502,234)</u>	-	-	-
Total indebtedness	<u>\$109,257,506</u>	<u>\$27,232,012</u>	<u>\$166,856,037</u>	<u>\$730,778</u>	<u>-</u>
<b>Debt Limitation by Class in Excess of Outstanding and Authorized Debt</b>	<u>\$153,212,703</u>	<u>\$497,708,405</u>	<u>\$270,594,311</u>	<u>\$378,392,857</u>	<u>\$349,960,278</u>

<sup>1</sup> Does not include bonds defeased as a result of the issuance of the 1993 Refunding Bonds but does include amount of refunding bonds attributable to each category of the debt limitation schedule.



In accordance with Connecticut General Statutes municipalities may not incur indebtedness through the issuance of bonds which will cause aggregate indebtedness to be exceeded by class as outlined above and in no case shall total indebtedness exceed seven times the base, or in the City's case, \$816,573,982.

The statutes also provide for exclusion from the debt limit calculation debt issued in anticipation of taxes; for the supply of water, gas and electricity; for the construction of subways for cables, wire or pipes; and for the construction of underground conduits for cables, wires or pipes; and for two or more of such purposes. There are additional exclusions for indebtedness issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement, for indebtedness issued in anticipation of receipt of proceeds from State or Federal grants evidenced by a written commitment or by contract only to the extent such indebtedness can be paid from such proceeds and for debt to be paid from a funded sinking fund.

### **Other Long-Term Commitments**

The City has entered into an agreement with NETCO-Waterbury Limited Partnership, a Delaware Limited Partnership, for the disposal of the City's sewage sludge. The agreement provides for NETCO-Waterbury Limited Partnership to design, build and operate a sewage sludge incinerator facility manufactured by Dorr-Oliver, Incorporated with a 50-dry-ton-per-day capacity, as well as related facilities. The capital lease costs associated with the design and construction of that facility are reflected as a liability in the Sewer Fund. See "Summary of Municipal Services – Solid Waste" herein for additional information.

From time to time, the City enters into capital lease contracts for various equipment and rolling stock. The present value of future minimum capital lease payments as of June 30, 2000 listed in the City's General Long-Term Debt Account Group totaled \$2,156,861.

## **FINANCIAL ADMINISTRATION**

### **Current Financial Situation**

At its August 2000 meeting, the City's Budget Advisory Council passed a motion requesting that the State undertake a study in connection with the Council's unresolved budget concerns. The Council contended that revenue projections in the City's 2001 Budget were overly optimistic and that the City's pension fund continued to be underfunded by a significant margin.

In response to the Council's request, the State commissioned a fiscal/legal review performed by the accounting firm of Scully & Wolf, LLP (the "Review") assessing the City's fiscal standing, specifically in relation to the expectation for the fiscal year ended June 30, 2001.

On December 27, 2000, the City's audited financial statements were released confirming previous expectations for a deficit fund balance. Subsequently the City's Director of Finance concurred with much of what has been asserted in the Review and has recommended restating the \$17.8 million deficit, as audited and making adjustments that would bring the June 30, 2000 general fund deficit to \$29.9 million.

In response to a critical financial crisis in December 2000, the General Assembly of the State of Connecticut passed Special Act 01-1 (the "Act") which created the Waterbury Financial Planning and Assistance Board established on March 9, 2001 (see "Waterbury Financial Planning and Assistance Board" herein for additional information).

On January 10, 2001, the City's Director of Finance and Director of Audit presented their report to the Board of Aldermen, "The General Fund: Review of the Status of Revenues, and Appropriations for the Period Ending December 31, 2000". Based upon their findings and expectations, at that time, the City's Director of Finance estimated the cumulative general fund deficit for the year ending June 30, 2001 to be \$49.3 million.

**The fiscal year 1999-2000 deficit together with the growing revenue shortfalls and increased expenditures have created a significant strain on the City's cash flow and its ability to meet payrolls and other operating expenses in the General Fund. The State Treasurer, using the authorization granted in Special Act 01-1, advanced a State grant payment due at the end of March and \$25 million of the City's educational grant payments due at the end of April. These payments were received during the second and third weeks of March 2001. The City's current cash flow projections, without the benefit of the Notes, but assuming the interception of Tax Revenues to pay interest due on the Notes, indicate continuous cash deficits of up to \$48.1 million through the first week of July 2001.**

### **Audit**

Pursuant to the Municipal Auditing Act (Chapter 111 of the Connecticut General Statutes), the City is obligated to undergo an annual examination by an independent certified public accountant. The audit must be conducted under the guidelines issued by the State of Connecticut, Office of Policy and Management, and a copy of said audit report must be filed with the Office of Policy and Management. The City of Waterbury is in compliance with said provisions.

### **Accounting and Budgetary Basis**

The City's accounting system is organized on a fund basis and uses funds and account groups to report on its financial position and results of operations. The City's accounting records are maintained on a modified accrual basis, with major revenues recorded when earned and expenditures recorded when incurred. The accounting policies of the City conform to generally accepted accounting principles as applied to governmental units.

The procedures for adoption of the annual budget are as follows:

On or before January 25 of each year, each department must submit to the Mayor and the Budget Director an estimate of such department's expenses for the ensuing fiscal year. By February 15, the Budget Director is required to submit a total budget based upon such estimated expenses to the Mayor and the Board of Finance. By March 10 of each year, the Mayor is to submit his budget and recommendations, together with his estimate of probable revenue of the City for next fiscal year, to the Board of Finance.

The Board of Finance is required to prepare a budget in March of each year, including estimates of expenses, liabilities and resources of the City for the next fiscal year, giving particulars in detail and recommending a tax on the ratable estates within the City, as it finds necessary to meet the City's expenses. The Board of Finance must classify the expenses in detail, which estimates shall be submitted to the Board of Aldermen during the fourth week of April. When preparing the annual budget the Board of Finance shall estimate the probable cash receipts from each item of resources and shall appropriate against such item to an extent only that will seem to reasonably insure receipts equal to or in excess of such appropriations. Furthermore, the Board of Finance shall set up separately and in detail therein, the amount of income which it shall estimate will be received from each source; however the Board of Finance cannot estimate receipts from current taxes for any year in excess of 93% of the amount laid on the grand list at the rate recommended for the current year. When estimating the probable receipts from taxes (which became due and payable prior to the year for which the budget is prepared), the Board of Finance cannot estimate an amount in excess of 75% of the actual collections from this source during the full fiscal year immediately preceding.

The Board of Aldermen, before May 22, considers and acts upon and may amend the estimates of the Board of Finance and make appropriations upon the basis of such estimates as may be necessary and proper to meet such expenses and shall levy a tax necessary to meet such expenses. Appropriations for any one year shall not exceed the estimated receipts for such year and in such computation no more than 93% of the estimated receipts from the tax levy shall be appropriated.

Pursuant to the Act, the Assistance Board must approve the City's budget. The Act provides that the Assistance Board shall disapprove the proposed budget if, in the judgement of the Assistance Board, the budget fails to contain projections of revenues and expenditures that are based on reasonable and appropriate assumptions and methods of estimation or fails to provide that operations of the City will be conducted within cash resources available according

to the Assistance Board's revenue estimates. If the Assistance Board disapproves the annual budget, the Assistance Board shall develop and approve an interim budget which will remain in effect until such time as a modified budget is adopted by the City and approved by the Assistance Board.

### **Annual Budget 2001 - 2002**

On March 9, 2001, the Mayor submitted his proposed budget to the Board of Finance. The Mayor's proposed budget consisted of \$298.7 million in revenues, including \$41.2 million of union concessions/taxes in addition to \$116.3 million in current tax revenues based on the prior year's mill rate, and \$298.7 million in expenditures. The Board of Finance, following public hearings, made adjustments to revenues and expenditures and on April 26, 2001 recommended its adjusted budget to the Board of Aldermen. The adjusted budget consisted of \$290.7 million in revenues and \$290.7 million in expenditures. The budget forwarded to the Board of Aldermen included an amount of \$41.5 million identified as "Additional Amounts to be Raised," which amount was included in the estimated collection of taxes section of the proposed budget. Pursuant to the terms of the City's charter, the Board of Aldermen adopted the budget prior to May 22, 2001. Pursuant to the Act, the Assistance Board is then required to approve or disapprove the City's proposed budget and, in the event of disapproval, adopt an interim budget. On May 23, 2001, the Assistance Board neither approved nor disapproved the Board of Aldermen's budget. The Assistance Board sent the budget back to the Board of Aldermen for further consideration. The Assistance Board has been and is expected to continue to be meeting for the purpose of addressing its concerns regarding the budget approved by the Board of Aldermen.

Based on the budget approved by the Board of Finance, it is anticipated that a significant increase in the tax levy will be required as well as considerable reductions in expenditures for personnel and operations where such reductions are permitted by law. However, since the process of approval of the budget still awaits approval by the Assistance Board based upon the statutory requirements described above, there can be no assurance that the budget of the City will be approved in time to avoid the statutory requirement of an interim budget.

**GENERAL FUND REVENUES AND EXPENDITURES<sup>1</sup>**  
(in thousands)

	<b>Budget 2000-01</b>	<b>Actual 1999-00</b>	<b>Actual 1998-99</b>	<b>Actual 1997-98</b>	<b>Actual 1996-97</b>
<b>Revenues</b>					
Property taxes and assessment principal	\$129,483	\$117,852	\$125,506	\$119,021	\$118,438
Intergovernmental revenue	106,989	102,061	99,076	91,043	90,963
Interest, rent services and miscellaneous income	12,865	6,198	4,727	4,180	4,334
Reimbursement and transfers From other funds	7,553	2,466	2,718	4,096	3,585
Licenses and permits	926	516	685	626	1,141
Other (debt proceeds)	-	-	-	-	24,873
<b>Total</b>	<u>\$257,816</u>	<u>\$229,093</u>	<u>\$232,712</u>	<u>\$218,966</u>	<u>\$243,334</u>
<b>Expenditures</b>					
General Government	\$7,306	\$7,564	\$6,853	\$7,064	\$6,723
Debt Service	10,500	14,934	7,864	7,996	6,001
General financial	64,125	57,752	57,912	50,633	44,032
Public works	12,642	12,437	12,695	13,120	12,241
Public safety	48,432	42,822	44,138	42,836	39,160
Public health	2,939	2,903	2,806	2,796	2,861
Public assistance	83	94	74	154	4,123
Education	105,300	103,023	99,914	96,160	92,747
Library	1,856	1,890	1,808	1,823	1,805
Park and recreation	4,633	4,605	4,568	4,474	4,186
<b>Total Expenditures</b>	<u>\$257,816</u>	<u>\$248,024</u>	<u>\$238,632</u>	<u>\$227,056</u>	<u>\$213,879</u>
Results of operations	-	(18,931)	(5,920)	(8,090)	29,455
Equity and other transfers	-	3,716	3,942	3,847	(30)
Fund balance (deficit) beginning as previously reported	(17,786)	480	309	4,552	(24,873)
Prior period adjustments	-	(3,051)	2,149	-	-
Fund balance (deficit) ending	<u>-</u>	<u>\$(17,786)</u>	<u>\$480</u>	<u>\$309</u>	<u>\$4,552</u>
% Fund balance (deficit) of expenditures		-7.2%	0.2%	0.1%	2.1%

<sup>1</sup> Reflects GAAP basis presentation with the exception of budget for fiscal year 2000-01 which has been adjusted to reflect audited deficit. See "FINANCIAL ADMINISTRATION - Current Financial Situation" herein for additional information.

**RISK MANAGEMENT**

The City is self-insured in most areas of risk. Self-insured risks include general liability, collision for City vehicle, workers' compensation, unemployment and employee health claims. The City's Legal Counsel defends the City in any lawsuits that arise from the normal course of operations.

The City has an Anthem Blue Cross/Blue Shield medical plan for which payments are based upon actual claims (versus premium payments). In this case, Anthem blue Cross/Blue Shield acts as a claims processor and a transfer of

risk does not occur. Approximately 99% of the city’s employees participate in the Anthem Blue Cross/Blue Shield plan with the remainder electing an HMO plan which is also self-insured by the City.

All funds of the City participate in the program and make payments to the Self-Insurance Internal Service Fund to pay claims, claim reserves and administrative costs of the program. During the fiscal year ended June 30, 2000, \$31,137,419 in health care benefits and administrative costs were paid. Incurred but not reported health claims of \$4,676,978 have been accrued as a liability based upon information supplied by the City’s Health Care Administrator. Actuarial estimated liability for claims incurred but not reported is not available.

Changes in the reserve amount in fiscal years ended June 30, 2000 and 1999 were as follows:

<u>Fiscal Year</u>	<u>Balance at July 1</u>	<u>Current year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at June 30</u>
1999	\$2,869,254	\$28,076,144	\$27,146,173	\$3,799,225
2000	3,799,225	31,116,188	30,238,435	4,676,978

The City has a medical insurance stop-loss insurance policy for claims in excess of \$100,000 which became effective July 1, 1999.

**INVESTMENT POLICY FOR OPERATING FUNDS AND PENSION FUNDS**

In accordance with Connecticut General Statutes and the City Charter, the City’s Director of Finance and Treasurer designate the qualified public depositories which may be used for public deposits and investments. Eligible investments for Connecticut municipalities are governed by the Connecticut General Statutes, Section 7-400. The City Treasurer and Director of Finance invest the City’s operating and working capital funds accordingly. The City does not maintain a formal investment policy.

The pension funds for City employees are invested by various investment professionals chosen by the City’s Retirement Board. These professionals make investment decisions based on instruction received directly from the Retirement Board at its regularly scheduled meetings.

In addition, the City monitors the risk-based capital ratios and collateral requirements of the qualified public depositories, as defined by the Connecticut General Statutes, Section 36-382, for which it places deposits or makes investments.

The City has historically invested operating funds in bank certificates of deposit, repurchase agreements, the State of Connecticut’s Short-Term Investment Fund (“STIF”), and the F.G.I.C. U.S. Treasury Money Market Fund. F.G.I.C. investments consist of U.S. Treasuries, obligations of government agencies, and repurchase agreements collateralized by U.S. Treasuries and agency obligations. STIF, an investment pool, was authorized in 1978 (P.A. 78-236) for investment by the State Treasurer of various State funds. Section 3-27a of the Connecticut General Statutes spells out the various governmental entities eligible to participate in STIF. Section 3-27d details eligible investments that may be acquired with funds on deposit with STIF. Section 3-27f authorizes all agencies, instrumentalities, and political subdivisions of the State of Connecticut to invest in STIF.

Teachers in the City’s school system hired after 1977 participate in the Connecticut Teachers’ Retirement System. The investment of teachers’ funds is managed by the State.

## LEGAL AND OTHER INFORMATION

### Litigation

The City, its officers and employees, are defendants in numerous lawsuits. The ultimate disposition and fiscal consequences of these lawsuits are not presently determinable. The City's Corporation Counsel has reviewed the status of pending lawsuits, has received the advice of independent counsel with respect to the status of certain pending lawsuits, and reports that she is of the opinion that such pending litigation could not be finally determined so as to result individually or in the aggregate in a final judgment against the City in an amount equal to or greater than \$2,000,000, except that in the cases described below, the fiscal impact of collective adverse decisions might be significant, but are not determinable at this time. The cases described in this section generally do not include any individual case where the fiscal impact of an adverse judgment is expected to be material, but adverse judgment in a number of such cases could, in the aggregate and in certain circumstances, have a significant impact.

**ANGRAM.** On or about February 1, 2000, the City was notified that Angram Business Services, Inc. ("Angram") filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code in Federal Bankruptcy Court in West Palm Beach, Florida. The City had been involved in a dispute concerning the property tax collection agreement between the City and Angram. The City had informed Angram that it considers Angram to be in default under such agreement as a result of, among other defaults, a failure to make payments to the City due in September 1999. Angram's attorneys informed the City that Angram considers the City to have breached such agreement and to have committed other wrongful acts, alleging, among other things, that the City undercompensated Angram by neglecting to assign certain liens, refusing to pay certain redemptions and refunds, and alleging that the City has incorrectly applied certain credits. Angram has sought compensatory and punitive damages in connection with these claims. The City denies such allegations. It is not possible at this time to determine what effect Angram's bankruptcy will have on the City's financial position. The City is pursuing a surety bond posted by Angram, which bond is in the amount of \$7,470,000. The action against this bond is in abeyance pending settlement negotiations. The bonding company has asserted certain defenses to the City's claim. If Angram's bankruptcy results in a revenue shortfall for the City's current fiscal year, the City will have to contend with that shortfall as they would with any shortfall.

**UNITED STATES V. CITY OF WATERBURY.** The United States Environmental Protection Agency ("EPA") has indicated that it will file a Clean Water Act/Clean Air Act civil enforcement action against the City of Waterbury in the near future. The action will be brought in the federal District Court for the District of Connecticut for the purpose of addressing unauthorized discharges from the City's sanitary sewer collection system ("Collection System") and the City's procedures with regard to the collection and disposal of freon-containing appliances. The City and the EPA have been negotiating the terms of the consent decree that will serve as the basis to settle the action once it is filed. These negotiations have been conducted before the action is filed with a view toward settling the matter promptly upon the filing of a complaint.

Negotiations have not been concluded and may not result in a settlement. However, if the case is settled on terms being presently offered by the EPA, the following is a description of a likely outcome. The City anticipates that it will be required to take certain actions and pay a civil penalty pursuant to the terms of a negotiated consent decree. Included among the actions that the City will likely be taking pursuant to a decree are the following: (1) improving the Collection System infrastructure, (2) hiring up to ten additional personnel to clean and maintain the Collection System, (3) purchasing and/or leasing additional Collection System cleaning equipment, (4) cleaning and maintaining the Collection System, (5) addressing Collection System manhole accessibility issues, (6) establishing a procedure for the collection and disposal of freon-containing appliances and (7) submitting reports and plans. A portion of the costs of the foregoing work will be included in the City's budget as part of its routine operation and maintenance expenses for the Collection System.

**TOWN OF WASHINGTON ET AL. V. CITY OF WATERBURY.** The City has the statutory right to divert water from the Shepaug River to serve the residents and other customers of the City's water system. A number of groups have contested the nature and scope of the City's Shepaug River diversion. Interested parties include the Town of Washington, the Town of Roxbury, the Shepaug River Association and the Steep Rock Association. This matter was tried in the Waterbury Superior Court before Judge Beverly Hodgson during December 1999 and January 2000. Judge Hodgson found that the City's conduct in running its water system resulted in some measure of impairment to the Shepaug River. Judge Hodgson ordered relief that is primarily equitable, non-monetary relief in the form of

additional water releases to the Shepaug River below the dam. Enabling the ordered water releases would require some modifications to the dam. Following the Judge's ruling, the opposing parties filed an application for attorneys' fees in the amount of between \$2.7 million and \$3.6 million. The City has vigorously opposed this application. The City has appealed the trial court's decision and intends to vigorously pursue its position through the appellate courts. The City anticipates a cross appeal by the opposing parties. Because the decision of the appellate courts could moot the opposing parties' application for attorneys' fees, the trial court has deferred consideration of the application pending resolution of the appeal. At this time, it is not possible to predict with reasonable certainty the likely outcome of this matter or the amount or range of any loss to the City should the outcome be unfavorable.

**TAX APPEALS.** There are approximately 80 tax appeals pending which if resolved unfavorably could result in a reduction of revenue to the City. The impact of such tax appeals cannot be determined at this time.

---

**THIS PAGE INTENTIONALLY  
LEFT BLANK**

---



**STATE OF CONNECTICUT  
CLEAN WATER FUND –  
STATE REVOLVING FUND**

**FINANCIAL STATEMENTS  
AS OF JUNE 30, 2000 AND 1999**

**TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT**

---

**THIS PAGE INTENTIONALLY  
LEFT BLANK**

---

**DISANTO BERTOLINE & COMPANY, P.C.**  
*Certified Public Accountants and Consultants*

**INDEPENDENT AUDITORS' REPORT**

Ms. Denise L. Nappier, Treasurer  
Mr. Arthur J. Rocque, Commissioner,  
Department of Environmental Protection,  
State of Connecticut

We have audited the general-purpose financial statements of the State of Connecticut Clean Water Fund - State Revolving Fund (SRF) (a nonexpendable trust fund of the State of Connecticut) as of and for the years ended June 30, 2000 and 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of SRF's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Connecticut Clean Water Fund - State Revolving Fund as of June 30, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

*DiSanto Bertoline & Company, P.C.*

Glastonbury, Connecticut  
September 6, 2000

**STATE OF CONNECTICUT  
CLEAN WATER FUND - STATE REVOLVING FUND  
BALANCE SHEETS  
JUNE 30, 2000 AND 1999**

**ASSETS**

	2000	1999
Cash and cash equivalents <i>(Notes 2 and 3)</i>	\$ 3,656,079	\$ 3,483,069
Interest receivable - investments	4,513,300	3,819,187
Interest receivable - loans <i>(Notes 2 and 4)</i>	6,126,762	3,375,417
Grant receivable	119,533	50,957
Loans receivable <i>(Notes 2,4 and 12)</i>	545,159,097	489,349,060
Deferred losses on early retirement of bonds <i>(Notes 2 and 8)</i>	8,586,569	9,582,676
Restricted assets (investments) <i>(Notes 2,3,6 and 7):</i>		
Loan fund	35,703,595	113,996,447
Debt service reserve fund	269,490,307	280,602,810
Debt service fund	107,453,983	73,521,820
Total restricted assets	412,647,885	468,121,077
Total assets	\$ 980,809,225	\$ 977,781,443

**LIABILITIES AND FUND BALANCE**

LIABILITIES

Revenue bond interest payable <i>(Note 8)</i>	\$ 9,237,320	\$ 7,892,782
Revenue bonds payable <i>(Notes 2 and 8)</i>	423,770,000	445,940,000
Premium on revenue bonds <i>(Note 2)</i>	6,166,440	6,583,740
Refunding bonds payable <i>(Note 8)</i>	126,110,000	126,570,000
Arbitrage liability <i>(Note 9)</i>	2,294,652	1,609,373
Total liabilities	567,578,412	588,595,895

FUND BALANCE *(Notes 2 and 10)*

Reserved for loans	339,880,000	316,717,533
Undesignated	73,350,813	72,468,015
Total fund balance	413,230,813	389,185,548
Total liabilities and fund balance	\$ 980,809,225	\$ 977,781,443

*The accompanying notes are an integral part of these general-purpose financial statements.*

**STATE OF CONNECTICUT  
CLEAN WATER FUND - STATE REVOLVING FUND  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 2000 AND 1999**

	2000	1999
<b>OPERATING REVENUES</b>		
Federal grant	\$ 12,269,712	\$ 15,813,129
Interest on investments	25,417,238	23,424,632
Interest on loans	10,180,942	8,163,629
Amortization of bond premium	417,300	341,639
Total operating revenues	48,285,192	47,743,029
<b>OPERATING EXPENSES</b>		
Interest expense	29,606,613	24,377,631
Arbitrage <i>(Note 9)</i>	685,279	651,978
Salaries	283,863	257,010
Employee benefits <i>(Note 7)</i>	115,189	90,622
Other	48,773	19,898
Total operating expenses	30,739,717	25,397,139
Income before operating transfers	17,545,475	22,345,890
<b>OPERATING TRANSFERS <i>(Note 11)</i></b>	<b>6,499,790</b>	<b>20,523,398</b>
Net income	24,045,265	42,869,288
<b>FUND BALANCE, beginning of year,</b>	<b>389,185,548</b>	<b>346,316,260</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 413,230,813</b>	<b>\$ 389,185,548</b>

*The accompanying notes are an integral part of these general-purpose financial statements.*

**STATE OF CONNECTICUT  
CLEAN WATER FUND - STATE REVOLVING FUND  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2000 AND 1999**

	<u>2000</u>	<u>1999</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 24,045,265	\$ 42,869,288
Adjustments to reconcile net income to net cash used in operating activities:		
Interest expense on bonds	29,606,613	24,377,631
Amortization of deferred loss on early retirement of bonds	996,107	377,915
Amortization of bond premium	(417,300)	(341,639)
Interest income on investments	(25,417,238)	(23,424,632)
Changes in operating assets and liabilities:		
Increase in arbitrage liability	685,279	651,978
Increase in grant receivable	(68,576)	(34,549)
Increase in interest receivable - loans	(2,751,345)	(1,152,558)
Increase in loans receivable	(55,810,037)	(54,814,008)
Net cash used in operating activities	<u>(29,131,232)</u>	<u>(11,490,574)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in restricted assets	55,473,192	(92,647,855)
Interest received on investments	24,723,125	24,467,408
Net cash provided by (used in) investing activities	<u>80,196,317</u>	<u>(68,180,447)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from revenue bonds payable	-	126,157,028
Proceeds from refunding bonds payable	-	80,263,785
Deferred loss on early retirement of bonds	-	(6,338,445)
Repayment of refunding bonds payable	(460,000)	(445,000)
Repayment of revenue bonds payable	(22,170,000)	(95,785,000)
Interest payments on bonds	(28,262,075)	(24,364,103)
Net cash (used in) provided by noncapital financing activities	<u>(50,892,075)</u>	<u>79,488,265</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	173,010	(182,756)
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,483,069</u>	<u>3,665,825</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,656,079</u>	<u>\$ 3,483,069</u>

*The accompanying notes are an integral part of these general-purpose financial statements.*

**STATE OF CONNECTICUT  
CLEAN WATER FUND - STATE REVOLVING FUND  
NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000 AND 1999**

**NOTE 1 - NATURE OF ORGANIZATION**

The State of Connecticut Clean Water Fund - State Revolving Fund (SRF) (a nonexpendable trust fund of the State of Connecticut), established pursuant to Public Act 86-420, provides financial assistance to the municipalities of Connecticut for the planning, design and construction of water quality projects. The SRF is funded through revenue bonds and federal grants as established under Title VI of the Water Quality Act of 1987, which requires the State of Connecticut (State) to match federal funds to the extent of 20% of federal funds received. The SRF has been established as a nonexpendable trust fund of the State of Connecticut since proceeds from the federal grant are required to be preserved.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

The general-purpose financial statements are prepared on the accrual basis of accounting, utilizing accounting principles applicable to governmental nonexpendable trust funds.

**REVENUE RECOGNITION**

Federal grant revenue is recognized as SRF expenditures for administration are made and as federal funds are loaned to municipalities.

**INVESTMENTS**

The SRF's policy is to present all investments at fair value except for money market investments and nonparticipating investment contracts, which the SRF has elected to report at amortized cost.

The fair value of investments traded on public markets is determined using quoted market prices. The fair value of state general obligation bonds, which are not traded on a public market, is estimated using matrix pricing. The cost of the state general obligation bonds approximates their estimated fair value.

There were no material investment gains or losses for the years ended June 30, 2000 and 1999.

**STATE OF CONNECTICUT  
CLEAN WATER FUND - STATE REVOLVING FUND  
NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2000 AND 1999**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**STATEMENT OF CASH FLOWS**

For purposes of the statement of cash flows, the SRF considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. However, the SRF's policy is to exclude restricted assets from cash equivalents for purposes of the statement of cash flows due to the limitations imposed on their use by the Clean Water Fund Revenue Bond Program General Bond Resolution (Resolution). The SRF had cash equivalents of \$3,163,660 and \$2,983,069 as of June 30, 2000 and 1999, respectively, which consisted of amounts invested in the State Treasurer's Short Term Investment Fund (STIF), an investment pool. The pool is managed by the State Treasurer's Office, and the fair market value of the SRF's position in the pool is the same as the value of the pool shares. Cash equivalents included in restricted assets are presented in Note 6.

**BOND PREMIUMS/DEFERRED LOSS**

The premium on the Revenue Bonds is being amortized over the term of the bonds on a straight-line basis, which yields results equivalent to the interest method. The deferred losses on early retirement of bonds (*Note 8*) are being amortized using the outstanding bond method, which yields results equivalent to the interest method.

**REVENUE BONDS**

The following funds and accounts have been established in accordance with the Resolution:

<u>Account</u>	<u>Nature of Expenditures</u>
<b>Revenue Fund - Pledged Receipts Account</b>	
Receives all pledged receipts, including loan repayments, from the municipalities.	Amounts transferred to the interest and principal accounts of the debt service fund for payment of current debt service.
<b>Revenue Fund - Earnings Account</b>	
Receives all earnings on monies and investments in all funds and accounts.	Amounts transferred to the interest and principal accounts of the debt service fund for payment of current debt service.
<b>Loan Fund</b>	
Receives proceeds from the sale of revenue bonds as specified and determined by the Resolution.	Expended for purposes of the State Revolving Fund program, including the financing of loans to municipalities.
<b>Debt Service Fund - Interest Account</b>	
Receives amounts from the revenue fund accounts sufficient to pay the interest portion due on each interest payment date.	Payment of interest on outstanding bonds.



**STATE OF CONNECTICUT  
 CLEAN WATER FUND - STATE REVOLVING FUND  
 NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS (Continued)  
 JUNE 30, 2000 AND 1999**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**REVENUE BONDS (Continued)**

<b>Account</b>	<b>Nature of Expenditures</b>
<b>Debt Service Fund - Principal Account</b>	
Receives amounts from the revenue fund accounts sufficient to pay the principal portion due on each principal payment date or current sinking fund installments.	Payment of principal or current sinking fund installments on outstanding bonds.
<b>Debt Service Fund – Redemption Account</b>	
Receives amounts from the interest and principal accounts for the redemption of bonds.	Redemption of bonds.
<b>Debt Service Fund - Capitalized Interest Account</b>	
Receives any capitalized interest received by the trustee.	Amounts are transferred for payment of capitalized interest on outstanding bonds.
<b>Debt Service Reserve Fund</b>	
Required to be funded in an amount equal to 50% of all outstanding senior bonds. The reserve is funded by federal capitalization grant payments drawn under the federal letter of credit and state general obligation bonds. Investment income is transferred to the revenue fund for ultimate payment of debt service.	Payment of principal and interest in the event of deficiencies in the debt service fund accounts.
<b>Interest Subsidy Fund</b>	
Established outside of the SRF, principal and investment income is transferred to the revenue fund for ultimate payment of debt service.	Amounts transferred to the debt service fund for payment of debt service. Payment of principal and interest in the event of a deficiency in the debt service reserve fund.
<b>Administrative Fund - Cost of Issuance Account</b>	
Established outside of the SRF, investment income is transferred to the revenue fund for ultimate payment of debt service.	Payment of issuance costs on revenue bonds.
<b>Rebate Fund</b>	
Receives any earnings required to be rebated to the United States pursuant to the Tax Regulatory Agreement.	Amounts are paid to the United States as required.

**STATE OF CONNECTICUT**  
**CLEAN WATER FUND - STATE REVOLVING FUND**  
**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2000 AND 1999**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**RESTRICTED ASSETS**

Restricted assets consist of investments, which are segregated into funds and accounts in accordance with the Resolution as previously described.

The Resolution restricts investments to: a) the State Treasurer's Short-Term Investment Fund, b) Tax Exempt Proceeds Fund of the State, c) interest bearing time deposits held by the trustee, a member bank of the Federal Reserve System, or a bank which is insured by the Federal Deposit Insurance Corporation and d) Investment Obligations as defined in the Resolution.

**LOANS, ALLOWANCE FOR LOAN LOSSES AND CREDIT RISK**

The SRF makes loans to municipalities in the State of Connecticut for planning, design and construction of water quality projects. Interest on the loans is calculated at two percent of the outstanding balance and recognized as it is earned. The loans are secured by the full faith and credit or revenue pledges of the municipalities, or both. No allowance for loan losses is considered necessary based on management's evaluation of the collectibility of the loans. The evaluation takes into consideration such factors as changes in the size of the municipal loans, overall quality, review of specific problem loans, and current economic conditions and trends that may affect the borrowers' ability to pay.

**FUND BALANCE - RESERVED FOR LOANS**

The fund balance reserved for loans represents amounts accumulated from federal drawdowns, less administrative expenses not exceeding 4% of the federal grant, transfers from the State representing the 20% match on federal funds and interest earned on municipal loans.

**NOTE 3 - CASH DEPOSITS AND INVESTMENTS**

Governmental Accounting Standards Board Statement No. 3 requires governmental entities to categorize their cash deposits and investments into three levels of risk. Category 1 includes amounts which are insured or registered in the SRF's name or its agent in the SRF's name. Category 2 includes amounts which are uninsured or unregistered for which collateral or securities are held by a counterparty's trust department or agent in the name of the SRF. Category 3 includes amounts in which the deposits or securities are uninsured or unregistered for which collateral or securities are held by the counterparty or its trust department, but not in the name of the SRF.

**STATE OF CONNECTICUT  
CLEAN WATER FUND - STATE REVOLVING FUND  
NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2000 AND 1999**

**NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**CASH DEPOSITS**

For purposes of this disclosure, cash deposits include cash held by the State Comptroller and STIF investments, and also U.S. Treasury and State obligations which are included in restricted assets. As of June 30, 2000, both the institution balance and carrying amounts of the SRF's deposits total \$15,844,719, of which \$12,188,640 is included in restricted assets. Of the SRF's deposits, \$12,681,059 was registered in SRF's name (Category 1) and the remaining balance of STIF investments of \$3,163,660 is not required to be assigned to a risk category.

**INVESTMENTS**

Investments consist of State General Obligation Bonds and various investment contracts which are considered to be registered in the SRF's name (Category 1).

**NOTE 4 - LOANS RECEIVABLE**

The SRF loans funds to qualified municipalities at an annual interest rate of two percent, secured by the full faith and credit or revenue pledges of the municipalities, or both. Principal and interest payments on loans are payable over a 20 year period in equal monthly installments commencing one month after the scheduled completion date, or in a single annual installment representing the first year's principal and interest not later than one year after the scheduled completion date and thereafter in monthly installments. Loans made under loan agreements entered into prior to July 1, 1989 are repayable in annual installments.

Loans receivable by type are as follows as of June 30:

	<u>2000</u>	<u>1999</u>
Construction in process	\$ 184,588,538	\$ 141,110,791
Completed projects	<u>360,570,559</u>	<u>348,238,269</u>
	<u>\$ 545,159,097</u>	<u>\$ 489,349,060</u>

**STATE OF CONNECTICUT  
 CLEAN WATER FUND - STATE REVOLVING FUND  
 NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS (Continued)  
 JUNE 30, 2000 AND 1999**

**NOTE 4 - LOANS RECEIVABLE (Continued)**

Aggregate maturities of loans receivable in subsequent years for completed projects are as follows:

Year ending June 30:		
2001	\$	23,620,327
2002		23,737,183
2003		23,978,007
2004		24,223,690
2005		24,474,328
Thereafter		<u>240,537,024</u>
	\$	<u>360,570,559</u>

**NOTE 5 - FEDERAL LETTER OF CREDIT**

The following represents a summary of the funds available under the U.S. Environmental Protection Agency's letter of credit as of June 30:

	<u>2000</u>	<u>1999</u>
Awarded	\$ 245,018,196	\$ 245,018,196
Requested	<u>237,500,650</u>	<u>224,921,439</u>
Available federal letter of credit	\$ <u>7,517,546</u>	\$ <u>20,096,757</u>

**NOTE 6 - RESTRICTED ASSETS**

Restricted assets as of June 30, 2000 and 1999 are comprised of the following:

	<u>2000</u>	<u>1999</u>
Cash equivalents:		
U. S. Treasury/State obligations	\$ 12,683,870	\$ 8,935,361
Investments:		
Investment contracts	333,179,433	389,713,674
State General Obligation Bonds	<u>66,784,582</u>	<u>69,472,042</u>
	\$ <u>412,647,885</u>	\$ <u>468,121,077</u>

**STATE OF CONNECTICUT  
 CLEAN WATER FUND - STATE REVOLVING FUND  
 NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS (Continued)  
 JUNE 30, 2000 AND 1999**

**NOTE 7 - RELATED PARTY TRANSACTIONS**

**ALLOCATION OF EXPENDITURES**

Fringe benefit costs which are incurred at the State level are applied as a percentage of salaries to all State governmental units, including the SRF. For the years ended June 30, 2000 and 1999, the basic rates were 41.28% and 35.55%, respectively, of SRF wages and the amounts charged aggregated \$115,189 and \$90,622, respectively.

**INVESTMENTS**

The SRF has invested in the State Treasurer's Short Term Investment Fund and State General Obligation Bonds as presented in Note 6.

**NOTE 8 - BONDS PAYABLE**

**STATE GENERAL OBLIGATION BONDS**

In accordance with the Resolution, State General Obligation Bonds totaling \$22,364,000 and \$25,172,000 as of June 30, 2000 and 1999, respectively, are held in the Interest Subsidy Fund outside of the SRF. Principal and interest income is transferred to the debt service fund of the SRF.

**REVENUE BONDS**

The State of Connecticut issued Clean Water Fund, Revenue Bonds 1999, 1997, 1996, 1994, 1993, 1992 and 1991 series, dated April 15, 1999, September 1, 1997, March 1, 1996, June 1, 1994, January 1, 1993, 1992 and 1991, respectively. The proceeds of bonds are to be used to provide funds to make loans to Connecticut municipalities, for use in connection with the financing or refinancing of wastewater treatment projects. The bonds are payable solely from funds pledged pursuant to the Clean Water Fund Revenue Bond Program General Bond Resolution adopted December 7, 1990.

Revenue bonds payable consist of the following as of June 30:

	2000	1999
Serial bonds, with interest rates ranging from 3.45% to 11%, maturing from 2000 through 2019	\$ 346,300,000	\$ 368,470,000
Term bonds, with interest rates ranging from 4.875% to 7%, maturing from 2011 through 2022	77,470,000	77,470,000
	\$ 423,770,000	\$ 445,940,000

**STATE OF CONNECTICUT**  
**CLEAN WATER FUND - STATE REVOLVING FUND**  
**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2000 AND 1999**

**NOTE 8 - BONDS PAYABLE (Continued)**

**REFUNDING BONDS – 1996 SERIES**

On March 15, 1996 the State of Connecticut issued \$48,445,000 of Clean Water Fund Refunding Bonds, 1996 Series (1996 Refunding Bonds) with interest rates of 3.45% to 5.6% to advance refund Clean Water Fund 1991 Series Revenue Bonds (Refunded Bonds) with a principal balance of \$43,125,000 and interest rates of 6.3% to 7%. The Refunded Bonds mature at various dates through January 1, 2011 and are callable on January 1, 2001.

The net proceeds of the 1996 Refunding Bonds of \$47,478,959 were used to purchase U.S. Government securities and those securities were placed in an irrevocable trust with an escrow agent to provide debt service payments until the Refunded Bonds are called on January 1, 2001. The advance refunding met the requirements of an in-substance debt defeasance and, accordingly, the Refunded Bonds with a principal balance of \$43,125,000 were removed from the SRF's balance sheet. As of June 30, 2000, the outstanding principal balance of the Refunded Bonds is \$43,125,000.

The difference of \$4,733,836 between the book value of the Refunded Bonds and the amount deposited to the irrevocable trust to fund their debt service represents a loss which has been deferred and is being recognized as an adjustment of interest expense over the life of the 1996 Refunding Bonds using the outstanding bond method. Amortization of the deferred loss for the years ended June 30, 2000 and 1999 totaled \$417,309 and \$283,331, respectively.

**REFUNDING BONDS – 1999 SERIES**

On May 1, 1999 the State of Connecticut, with State Street Bank as Trustee, issued \$78,995,000 of Clean Water Fund Subordinate Revenue Refunding Bonds, 1999 Series (1999 Refunding Bonds) with interest rates of 3.45% to 5.25% to advance refund Clean Water Fund 1991, 1992 and 1994 Series Revenue Bonds (Refunded Bonds) with principal balances totaling \$74,080,000 and interest rates of 5.65% to 6.7%. The Refunded Bonds mature at various dates through June 1, 2016 and are callable on various dates through June 1, 2004.

The net proceeds of the 1999 Refunding Bonds of \$80,413,679 were used to purchase U.S. Government securities and those securities were placed in an irrevocable trust with an escrow agent to provide debt service payments until the Refunded Bonds are called on various dates through June, 1 2004. The advance refunding met the requirements of an in-substance debt defeasance and, accordingly, the Refunded Bonds with a principal balance of \$74,080,000 were removed from the SRF's June 30, 2000 balance sheet. As of June 30, 2000, the outstanding principal balance of the Refunded Bonds is \$74,080,000.

**STATE OF CONNECTICUT  
CLEAN WATER FUND - STATE REVOLVING FUND  
NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2000 AND 1999**

**NOTE 8 - BONDS PAYABLE (Continued)**

**REFUNDING BONDS – 1999 SERIES**

The difference of \$6,338,445 between the book value of the 1999 Refunded Bonds and the amount deposited to the irrevocable trust to fund their debt service represents a loss which has been deferred and is being recognized as an adjustment of interest expense over the life of the 1999 Refunding Bonds using the outstanding bond method. Amortization of the deferred loss for the years ended June 30, 2000 and 1999 totaled \$578,798 and \$94,584, respectively.

**BOND MATURITIES**

Principal maturities of all SRF bonds are as follows:

Year ending June 30:	
2001	\$ 24,915,000
2002	31,040,000
2003	27,050,000
2004	32,425,000
2005	37,885,000
2006 and thereafter	<u>396,565,000</u>
	<u>\$ 549,880,000</u>

**NOTE 9 - ARBITRAGE LIABILITY**

The Internal Revenue Code provides that interest on certain obligations issued by states, including SRF revenue bonds, are not taxable to the holder provided that bond proceeds are not invested in higher yielding investments, which is referred to as arbitrage. To mitigate arbitrage with respect to the SRF's 1996 and 1997 series revenue bonds, the SRF is required to remit excess investment income to the federal government. The related liability as of June 30, 1999 is payable in 2001.

**NOTE 10 - FUND BALANCE**

The following represents an analysis of fund balance for the years ended June 30, 2000 and 1999.

	<u>Undesignated</u>	<u>Reserved for Loans</u>	<u>Total</u>
Balance at June 30, 1998	\$ 60,688,300	\$ 285,627,960	\$ 346,316,260
Net Income	<u>11,779,715</u>	<u>31,089,573</u>	<u>42,869,288</u>
Balance at June 30, 1999	72,468,015	316,717,533	389,185,548
Net Income	<u>882,798</u>	<u>23,162,467</u>	<u>24,045,265</u>
Balance at June 30, 2000	<u>\$ 73,350,813</u>	<u>\$ 339,880,000</u>	<u>\$ 413,230,813</u>

**STATE OF CONNECTICUT  
 CLEAN WATER FUND - STATE REVOLVING FUND  
 NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS (Continued)  
 JUNE 30, 2000 AND 1999**

**NOTE 11 - OPERATING TRANSFERS**

Operating transfers consist of the following for the years ended June 30:

	<u>2000</u>	<u>1999</u>
State operating transfers	\$ 6,499,790	\$ 2,523,398
Transfers related to bond offerings	<u>-</u>	<u>18,000,000</u>
	<u>\$ 6,499,790</u>	<u>\$ 20,523,398</u>

**NOTE 12 - LOAN FUNDING COMMITMENTS**

The SRF has entered into various loan agreements with municipalities to fund the planning, design and construction of water quality projects. The following represents a summary of loan commitments at June 30:

	<u>2000</u>	<u>1999</u>
Total funds committed to municipalities	\$ 754,800,754	\$ 707,856,287
Loan amount outstanding to municipalities	<u>545,159,097</u>	<u>489,349,060</u>
Loan commitments outstanding	<u>\$ 209,641,657</u>	<u>\$ 209,431,508</u>

**NOTE 13 - RISK MANAGEMENT**

The State of Connecticut is responsible for risk management of SRF activities through the use of commercial and self-insurance.



**STATE OF CONNECTICUT  
DRINKING WATER FUND –  
STATE REVOLVING FUND**

**FINANCIAL STATEMENTS  
AS OF JUNE 30, 2000 AND 1999**

**TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT**

---

**THIS PAGE INTENTIONALLY  
LEFT BLANK**

---

**DISANTO BERTOLINE & COMPANY, P.C.**  
*Certified Public Accountants and Consultants*

**INDEPENDENT AUDITORS' REPORT**

Ms. Denise L. Nappier, Treasurer  
Mr. Joxel Garcia, M.D., Commissioner,  
Department of Public Health  
Mr. Arthur J. Rocque, Jr., Commissioner,  
Department of Environmental Protection,  
State of Connecticut

We have audited the general-purpose financial statements of the State of Connecticut Drinking Water Fund - State Revolving Fund (SRF) (a non-expendable trust fund of the State of Connecticut) as of and for the years ended June 30, 2000 and 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of SRF's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Connecticut Drinking Water Fund - State Revolving Fund as of June 30, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

*DiSanto Bertoline & Company, P.C.*

Glastonbury, Connecticut  
September 6, 2000

**STATE OF CONNECTICUT  
DRINKING WATER FUND - STATE REVOLVING FUND  
BALANCE SHEETS  
JUNE 30, 2000 AND 1999**

**ASSETS**

	2000	1999
Loans receivable <i>(Notes 2,4 and 8)</i>	\$ 1,535,637	\$ -
Due from State	10,501	3,041
Interest receivable - loans <i>(Notes 2 and 4)</i>	6,490	-
Revenue fund (investments) <i>(Notes 2,3, and 6)</i>	42,470	-
Total assets	\$ 1,595,098	\$ 3,041

**LIABILITIES AND FUND BALANCE**

<b>LIABILITIES</b>		
Deferred grant revenue	\$ 10,501	\$ 3,041
<b>FUND BALANCE</b>		
	1,584,597	-
Total liabilities and fund balance	\$ 1,595,098	\$ 3,041

*The accompanying notes are an integral part of these general-purpose financial statements.*

**STATE OF CONNECTICUT  
DRINKING WATER FUND - STATE REVOLVING FUND  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 2000 AND 1999**

	2000	1999
<b>OPERATING REVENUES</b>		
Federal grant	\$ 2,683,387	\$ 682,776
Interest on loans	22,925	-
Interest on investments	1,496	-
Total operating revenues	2,707,808	682,776
<b>OPERATING EXPENSES</b>		
Salaries	544,479	472,046
Employee benefits <i>(Note 7)</i>	214,677	164,434
Professional fees and other	364,055	46,296
Total operating expenses	1,123,211	682,776
Net income	1,584,597	-
FUND BALANCE, beginning of year,	-	-
FUND BALANCE, end of year	\$ 1,584,597	\$ -

*The accompanying notes are an integral part of these general-purpose financial statements.*

**STATE OF CONNECTICUT  
DRINKING WATER FUND - STATE REVOLVING FUND  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2000 AND 1999**

	2000	1999
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 1,584,597	\$ -
Adjustments to reconcile net income to net cash provided by operating activities:		
Interest income on investments	(1,496)	-
Changes in operating assets and liabilities:		
Increase in deferred grant revenue	7,460	3,041
Increase in interest receivable - loans	(6,490)	-
Increase in due from state	(7,460)	(3,041)
Increase in loans receivable	(1,535,637)	-
Net cash provided by operating activities	40,974	-
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in revenue fund (investments)	(42,470)	-
Interest received on investments	1,496	-
Net cash used in investing activities	(40,974)	-
 <b>NET INCREASE IN CASH</b>	-	-
 CASH, beginning of year	-	-
CASH, end of year	\$ -	\$ -

*The accompanying notes are an integral part of these general-purpose financial statements.*

**STATE OF CONNECTICUT  
DRINKING WATER FUND - STATE REVOLVING FUND  
NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000 AND 1999**

**NOTE 1 - NATURE OF ORGANIZATION**

The State of Connecticut Drinking Water Fund – State Revolving Fund (SRF) (a nonexpendable trust fund of the State of Connecticut), established in 1998 pursuant to Public Act 86-420, provides assistance to the municipalities of Connecticut to finance the costs of infrastructure needed to achieve or maintain compliance with the Safe Drinking Water Act (SDWA). The SRF is funded through revenue bonds and federal grants as established under the SDWA, which requires the State of Connecticut (State) to match federal funds to the extent of 20% of federal funds received. The State match is accounted for in a separate fund. The SRF has been established as a nonexpendable trust fund of the State of Connecticut since proceeds from the federal grant are required to be preserved.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

The general-purpose financial statements are prepared on the accrual basis of accounting, utilizing accounting principles applicable to governmental nonexpendable trust funds.

**REVENUE RECOGNITION**

Federal grant revenue is recognized as SRF expenditures for administration are made and as federal funds are loaned to municipalities.

**INVESTMENTS**

The SRF's policy is to present all investments at fair value as determined by quoted market prices. There were no material investment gains or losses for the years ended June 30, 2000 and 1999.

**STATEMENTS OF CASH FLOWS**

For purposes of the statements of cash flows, the SRF considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. However, the SRF's policy is to exclude revenue fund accounts from cash equivalents for purposes of the statements of cash flows. The SRF had no cash equivalents as of June 30, 2000 and 1999.

**STATE OF CONNECTICUT  
DRINKING WATER FUND - STATE REVOLVING FUND  
NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2000 AND 1999**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**REVENUE FUND**

The SRF has established a revenue fund which consists of cash and investments (*see Note 6*). The fund consists of the following accounts:

- Revenue Fund – Pledged Receipts Account: Receives all pledged receipts, including loan repayments, from the municipalities.
- Revenue Fund – Earnings Account: Receives all earnings on monies and investments in all funds and accounts.

**LOANS, ALLOWANCE FOR LOAN LOSSES AND CREDIT RISK**

The SRF makes loans to municipalities in the State of Connecticut for planning, design and construction of water quality projects. Interest rates on the loans range from 2.5 to 2.77 percent and interest income is recognized as it is earned. The loans are secured by the full faith and credit or revenue pledges of the municipalities, or both. No allowance for loan losses is considered necessary based on management's evaluation of the collectibility of the loans. The evaluation takes into consideration such factors as changes in the size of the municipal loans, overall quality, review of specific problem loans, and current economic conditions and trends that may affect the borrowers' ability to pay.

**RECLASSIFICATIONS**

Certain 1999 amounts were reclassified to conform to the 2000 presentation.

**NOTE 3 - CASH DEPOSITS AND INVESTMENTS**

Governmental Accounting Standards Board Statement No. 3 requires governmental entities to categorize their cash deposits and investments into three levels of risk. Category 1 includes amounts which are insured or registered in the SRF's name or its agent in the SRF's name. Category 2 includes amounts which are uninsured or unregistered for which collateral or securities are held by a counterparty's trust department or agent in the name of the SRF. Category 3 includes amounts in which the deposits or securities are uninsured or unregistered for which collateral or securities are held by the counterparty or its trust department, but not in the name of the SRF. As of June 30, 2000, both the institution balance and carrying amounts of the SRF's deposits total \$42,470 (*see Note 6*), all of which was registered in SRF's name (Category 1).



**STATE OF CONNECTICUT  
DRINKING WATER FUND - STATE REVOLVING FUND  
NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2000 AND 1999**

**NOTE 4 - LOANS RECEIVABLE**

The SRF loans funds to qualified municipalities. Principal and interest payments on loans are payable over a 20 year period in equal monthly installments commencing one month after the scheduled completion date, or in a single annual installment representing the first year's principal and interest not later than one year after the scheduled completion date and thereafter in monthly installments

Loans receivable by type are as follows as of June 30:

	<u>2000</u>	<u>1999</u>
Construction in process	\$ 476,165	\$ -
Completed projects	<u>1,059,472</u>	<u>-</u>
	<u>\$ 1,535,637</u>	<u>\$ -</u>

Aggregate maturities of loans receivable in subsequent years for completed projects are as follows:

Year ending June 30:	
2001	\$ 50,096
2002	51,511
2003	52,956
2004	54,442
2005	55,969
Thereafter	<u>794,498</u>
	<u>\$ 1,059,472</u>

**NOTE 5 - FEDERAL LETTER OF CREDIT**

The following represents a summary of the funds available under the U.S. Environmental Protection Agency's letter of credit as of June 30:

	<u>2000</u>	<u>1999</u>
Awarded	\$ 35,993,300	\$ 21,408,200
Requested	<u>3,376,664</u>	<u>685,817</u>
Available federal letter of credit	<u>\$ 32,616,636</u>	<u>\$ 20,722,383</u>

**STATE OF CONNECTICUT  
DRINKING WATER FUND - STATE REVOLVING FUND  
NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2000 AND 1999**

**NOTE 6 - REVENUE FUND**

The revenue fund as of June 30, 2000 and 1999 is comprised of the following:

	<u>2000</u>	<u>1999</u>
Money market funds	\$ 35,902	\$ -
Cash	6,568	-
	<u>\$ 42,470</u>	<u>\$ -</u>

**NOTE 7 - RELATED PARTY TRANSACTIONS**

Fringe benefit costs which are incurred at the State level are applied as a percentage of salaries to all State governmental units, including the SRF. For the years ended June 30, 2000 and 1999, the basic rates were 41.28% and 35.55%, respectively, of SRF wages and the amounts charged aggregated \$214,677 and \$164,434, respectively.

**NOTE 8 - LOAN FUNDING COMMITMENTS**

The SRF has entered into various loan agreements with municipalities to fund the planning, design and construction of water quality projects. The following represents a summary of loan commitments at June 30:

	<u>2000</u>	<u>1999</u>
Total funds committed to municipalities	\$ 10,222,750	\$ 4,429,750
Loan amount outstanding to municipalities	<u>1,535,637</u>	<u>-</u>
Loan commitments outstanding	<u>\$ 8,687,113</u>	<u>\$ 4,429,750</u>

**NOTE 9 - RISK MANAGEMENT**

The State is responsible for risk management of SRF activities through the use of commercial and self-insurance.

Annual Information Statement of the  
State of Connecticut Dated November 1, 2000  
**Modified January 29, 2001 and Supplemented March 29, 2001**

Part II—March 29, 2001 Information Supplement to Annual Information Statement of the State of Connecticut

Part III—Annual Information Statement of the State of Connecticut, Dated November 1, 2000, Modified January 29, 2001

<i>Table of Contents</i> .....	III-2
Introduction.....	III-3
The State of Connecticut .....	III-4
Financial Procedures.....	III-5
State General Fund .....	III-12
State Debt.....	III-28
Other Funds, Debt and Liabilities.....	III-41
Pension and Retirement Systems.....	III-53
Litigation.....	III-57
 <i>Index to Appendices</i> .....	 III-59
Appendix III-A – Governmental Organization and Services .....	III-A-1
Appendix III-B – State Economy .....	III-B-1
Appendix III-C – June 30, 2000 General Purpose (GAAP-Based) Financial Statements.....	III-C-1
Appendix III-D – June 30, 1996 - June 30, 2000 Budgetary (Modified Cash Basis) General Fund Financial Statements.....	III-D-1
Appendix III-E – June 30, 2000 – June 30, 2001 Adopted Budgets, June 30, 2000 Actual Budget and June 30, 2001 Estimated Budget.....	III-E-1

The above materials have been filed by or on behalf of the State of Connecticut with the Municipal Securities Rulemaking Board and the Nationally Recognized Municipal Securities Information Repositories (“NRMSIR’s”) identified in Appendix G of this Official Statement.

---

**THIS PAGE INTENTIONALLY  
LEFT BLANK**

---

**SUMMARY OF CERTAIN OF THE PROVISIONS OF THE  
GENERAL BOND RESOLUTION**

*The General Bond Resolution (as used in this Appendix D, the “Resolution”) contains various covenants and security provisions certain of which are summarized below. Various words or terms used in the following summary are defined in the Resolution and reference thereto is made for full understanding of their import. See also Appendix F for definitions of certain terms.*

**Resolution to Constitute Contract [Section 202]**

The provisions of the Resolution shall constitute a contract among the State, the Trustee and the Holders from time to time of the Bonds, and the provisions, covenants and agreements to be performed on behalf of the State shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds.

**Pledge [Section 501]**

The proceeds of sale of the Bonds, the Pledged Receipts, and all Funds and Accounts established by the Resolution in connection with the issuance of such Bonds, the investments thereof and the proceeds of such investments if any (other than moneys in the Rebate Fund) are pledged for the payment of principal and Redemption Price of, and interest on the Bonds, and the Sinking Fund Installments for the retirement thereof, subject to the provisions of the Resolution permitting or further limiting the application thereof, for the purposes and on the terms and conditions set forth in the Resolution. See also information under the caption “Issuance of Additional Obligations other than Refunding Bonds” below.

**Establishment of Funds and Accounts [Section 502]**

The State by the Resolution has established the following Funds and Accounts which are to be held as shown below:

<u>Fund</u>	<u>Held By</u>
Revenue Fund .....	Trustee
(a) Pledged Receipts Account .....	Trustee
(b) Earnings Account .....	Trustee
Loan Fund .....	State
Debt Service Fund .....	Trustee
(a) Interest Account .....	Trustee
(b) Principal Account .....	Trustee
(c) Redemption Account .....	Trustee
(d) Capitalized Interest Account .....	Trustee
(e) Debt Service Fund Earnings Account .....	Trustee
Debt Service Reserve Fund .....	Trustee
(a) Federal Letter of Credit Proceeds Account .....	Trustee
(b) G.O. Account .....	Trustee
(c) Undesignated Account .....	Trustee
Interest Subsidy Fund .....	Trustee
Administrative Fund .....	Trustee
(a) Costs of Issuance Account .....	Trustee
Rebate Fund .....	Trustee

**Revenue Fund [Section 503]**

There shall be promptly deposited into the Pledged Receipts Account of the Revenue Fund, all Pledged Receipts received by the Trustee. In addition, any amounts received by the Trustee as Earnings on moneys held in all Funds and Accounts held under the Resolution (other than the Rebate Fund and the Federal Letter of Credit Account and the Undesignated Account within the Debt Service Reserve Fund) shall be deposited in the Earnings Account of the Revenue Fund. Moneys in the Revenue Fund shall be promptly transferred to the Debt Service Fund for the payment of principal of and interest on Bonds to meet Debt Service payments due in the period from the immediately preceding January 2 through the next succeeding January 1 in each

year. To the extent moneys in the Pledged Receipts Account are then available, they shall be used to make good any deficiency in the Debt Service Reserve Fund.

#### **Loan Fund [Section 504]**

There shall be deposited into the Loan Fund the amount of proceeds of Bonds of any Series required to be deposited therein by the Series Resolution authorizing such Series. Moneys in the Loan Fund may be expended only for the financing of Loans to Municipalities under the Clean Water Fund Revenue Bond Program. Upon delivery to the Trustee of a certificate of an Authorized Officer stating that the State has determined to permanently discontinue such Program, the State, after reviewing the amount required for the disbursement of the Loans remaining, shall transfer the balance of moneys in the Loan Fund into the Debt Service Reserve Fund to increase the amount of such Fund to the Debt Service Reserve Fund Requirement, then to the Interest Subsidy Fund, and then into the Redemption Account.

#### **Debt Service Fund [Section 505]**

Earnings on amounts held in the Federal Letter of Credit Account and the Undesignated Account within the Debt Service Reserve Fund shall be deposited in the Debt Service Fund Earnings Account within the Debt Service Fund. The Trustee shall pay out of (i) the Debt Service Fund Earnings Account for the payment of principal of and interest on the Bonds, all amounts therein until fully depleted, and thereafter (ii) the Interest Account of the Debt Service Fund to the Paying Agents for any of the Bonds, on each Interest Payment Date, the amount required for the payment of interest on the Bonds due on such Interest Payment Date and on any Redemption Date, the amount required for the payment of accrued interest on Bonds redeemed unless the payment of such accrued interest shall be otherwise provided for, and (iii) the Principal Account of the Debt Service Fund to the Paying Agents, on each principal payment date or sinking fund redemption date, as applicable for any of the Bonds, the amounts required for the payment of principal due on such date or such sinking fund redemption price on such date, as applicable, and such amounts shall be applied in each case by the Paying Agents to such payments.

The amount accumulated in the Principal Account for each Sinking Fund Installment may and, if so directed by the State, shall be applied together with amounts accumulated in the Interest Account of the Debt Service Fund with respect to interest on the Bonds for which such Sinking Fund Installment was established, by the Trustee prior to the forty-fifth day preceding the due date of such Sinking Fund Installment to:

- (a) the purchase of Bonds of the Series and maturity for which such Sinking Fund Installments were established, at prices (including any brokerage and other charges) not exceeding the applicable Redemption Price, plus unpaid interest accrued to the date of purchase, such purchase to be made by the Trustee as directed by the State; or
- (b) the redemption of such Bonds, pursuant to the Resolution, if then redeemable by their terms at the Redemption Price referred to in paragraph (a) above.

As soon as practicable after the forty-fifth day preceding the date of any such sinking fund redemption, the Trustee, whether or not it then has moneys in the Principal and Interest Accounts sufficient to pay the applicable Redemption Price and interest thereon, shall proceed to call for redemption, pursuant to the Resolution, on such date Bonds of the Series and maturity for which such sinking fund redemption was established in such amount as shall be necessary to complete the retirement of the principal amount, specified for such sinking fund redemption, of the Bonds of such Series and maturity.

Upon any purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Installments shall have been established, an amount equal to the applicable Redemption Prices thereof shall be credited toward any one or more of such Sinking Fund Installments, as directed by the State, or, failing such direction by November 1, of each year, toward such Sinking Fund Installments in inverse order of their due dates. Such applicable Redemption Prices shall be the respective Redemption Prices which would be applicable upon the redemption of such Bonds from the respective Sinking Fund Installments on the due dates thereof. The portion of any such Sinking Fund Installments remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same), shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of the calculation of Principal Installments due on a future date.

Whenever moneys in the Debt Service Fund are insufficient to pay the interest, principal and Sinking Fund Installments due on Bonds, the Trustee shall apply amounts from the Debt Service Reserve Fund and the Interest Subsidy Fund to the extent necessary to make good the deficiency.

**Debt Service Reserve Fund [Section 506]**

Upon the issuance of a Series of Bonds, there shall be deposited into the Debt Service Reserve Fund all obligations and receipts required to be deposited therein by the Series Resolution authorizing such Series. Whenever moneys in the Debt Service Fund are insufficient to pay the interest, principal and Sinking Fund Installments due on Bonds, the Trustee shall apply amounts from the Debt Service Reserve Fund to the extent necessary to make good the deficiency.

Whenever moneys and securities in the Debt Service Reserve Fund shall have exceeded the Debt Service Reserve Fund Requirement, the Trustee shall, at the written direction of an Authorized Officer, reduce the amount of moneys and securities held in the Debt Service Reserve Fund by an amount which maintains the Debt Service Reserve Fund at the Debt Service Reserve Fund Requirement, and, except as limited by the Resolution, the Trustee shall apply the amount by which such moneys and securities in the Debt Service Reserve Fund is reduced, free and clear of the lien of the Resolution, to any authorized purpose of the Program.

**Interest Subsidy Fund [Section 507]**

Upon the issuance of a Series of Bonds, there shall be deposited into the Interest Subsidy Fund all obligations and receipts required to be deposited therein by the Series Resolution authorizing such Series.

Whenever the moneys in the Debt Service Fund are insufficient to pay the interest, principal and Sinking Fund Installments due on Bonds, the Trustee shall apply amounts from the Interest Subsidy Fund to the extent necessary to make good the deficiency as provided in the Resolution.

**Bond Anticipation Notes [Section 208]**

Whenever the State shall authorize the issuance of a Series of Bonds, the State Treasurer shall be authorized to issue Notes (and renewals thereof) in anticipation of such Series. The principal of and interest on such Notes and renewals thereof shall be payable solely from the proceeds of such Notes or renewals thereof or from the proceeds of the sale of the Series of Bonds in anticipation of which such Notes are issued. The proceeds of such Bonds may be pledged for the payment of the principal of and interest on such Notes and any such pledge shall have a priority over any other pledge of such proceeds created by the Resolution. Notes shall not be secured by the Debt Service Reserve Fund or any fund or account established under the Resolution.

**Payment of Bonds [Section 901]**

The State covenants that it shall duly and punctually pay or cause to be paid the principal or Redemption Price, if any, of every Bond and the interest thereon, but only from the Pledged Receipts and other revenues or receipts, funds or moneys pledged therefor as provided in the State Act and the Resolution, at the dates and places and in the manner provided in the Bonds according to the true intent and meaning thereof, and shall duly and punctually satisfy all Sinking Fund Installments becoming payable with respect to any Series of Bonds.

**Power to Issue Bonds and Make Pledges [Section 903]**

The State covenants that it is duly authorized pursuant to law to authorize and issue the Bonds and to adopt the Resolution and to pledge the Pledged Receipts and other moneys, securities, funds and property purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. The State further covenants to preserve the pledge of the Pledged Receipts and other moneys, securities, funds and property and all the rights of Bondholders under the Resolution, against all claims and demands by all persons.

**Agreement of the State [Section 915]**

The State pledges to and agrees with the Bondholders that the State will not limit or alter the rights vested by the State Act in the State to fulfill the terms of any agreement made with Bondholders or in any way impair the rights and remedies of the Bondholders until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the Bondholders, are fully met and discharged, provided nothing contained in the Resolution shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the Bondholders.

### **Federal Tax Covenants [Section 913]**

The State covenants to do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the State on the Bonds shall, for the purposes of federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation.

The State covenants not to permit at any time any of the proceeds of the Bonds or other funds of the State to be used, directly or indirectly, to acquire any asset or obligation, the acquisition of which would cause any Note or Bond to be an "arbitrage bond" for purposes of Section 148 of the Internal Revenue Code of 1986, as amended. Notwithstanding the foregoing, the State reserves the right to elect to issue Bonds the interest on which is not exempt from federal income taxation, if such election is made prior to the issuance of such Bonds, and the covenants described above shall not apply to such Bonds.

### **State Tax Covenant [Section 914]**

The State covenants with the purchasers and all subsequent Holders and transferees of any Bonds, in consideration of the acceptance and payment for the Bonds, that the Bonds shall be at all times free from taxes levied by any municipality or political subdivision or special district having taxing powers of the State and the principal of and interest on any Bonds issued under the State Act, their transfer and the income therefrom, including revenues deemed from the sale thereof, shall at all times be free from taxation of every kind by the State or under its authority except for estate or succession taxes.\*

### **Accounts and Reports [Section 905]**

The State covenants that it shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to all Municipal Obligations Payments, Municipal Obligations, the Fees and Charges, if any, and all funds and accounts established by the Resolution.

The State shall annually, on or before the last day of December in each year, file with the Trustee a copy of an annual report for the preceding Fiscal Year, with respect to the Program, accompanied by an Accountant's Certificate setting forth in reasonable detail:

- (a) its operations and accomplishments;
- (b) its receipts and expenditures during such Fiscal Year in accordance with the categories or classifications established by the State for its operating and capital outlay purposes
- (c) its assets and liabilities at the end of such Fiscal Year, including a schedule of its Municipal Obligations Payments, Municipal Obligations, Fees and Charges, a list of Municipalities in default status and the status of reserve, special or other funds and the funds and accounts established by the Resolution; and
- (d) a schedule of its Bonds Outstanding and other obligations outstanding at the end of such Fiscal Year, together with a statement of the amounts paid, redeemed and issued during such Fiscal Year.

A copy of each such annual report and Accountant's Certificate shall be mailed to each Bondholder who shall have filed his name and address with the State for such purpose.

### **Covenant with Respect to Clean Water Fund Revenue Bond Program [Section 916]**

In order to provide sufficient moneys with which to pay the principal, Sinking Fund Installments and interest when due and payable on its Bonds, the State shall from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the State Act and the Federal Water Quality Act of 1987, as then amended and as interpreted in regulations adopted by the United States Environmental Protection Agency and the State Department of Environmental Protection and in effect and with the provisions of the Resolution, use and apply the proceeds of the Bonds for the Program of the State, to finance Loans pursuant to such State Act as so amended and the Resolution, to make provisions for the payment of sufficient principal and interest on investments held in its funds and accounts established within the Resolution to generate income which when combined with moneys received with respect to the Municipal Obligations shall at least equal the principal and interest on the Bonds of the State and shall do all such acts and things necessary to invest the moneys in the Debt Service

---

\* Under statutory and judicial authority, this covenant does not grant an exemption from the Connecticut corporation business tax for interest on the Bonds. See "TAX EXEMPTION."



Reserve Fund consistent with this Section and receive and collect the Municipal Payment Obligations and the interest on all funds and accounts established within this Resolution and shall diligently enforce, and take all steps, actions and proceedings for the enforcement of all terms, covenants and conditions of the Loans.

#### **Issuance of Additional Obligations other than Refunding Bonds [Section 209]**

The State shall not create or permit the creation of or issue any obligations or create any additional indebtedness, other than Refunding Bonds, which will be secured by a charge and lien on Municipal Obligations, as applicable, or the Pledged Receipts, or will be payable from the Debt Service Fund or the Debt Service Reserve Fund, except that additional Series of Bonds may be issued from time to time pursuant to a Series Resolution on a parity with the Bonds and secured by an equal charge and lien on the Municipal Obligations and the Pledged Receipts, as applicable, and payable equally and ratably from the Debt Service Fund and Debt Service Reserve Fund for the purpose of (i) making loans to Municipalities for eligible Projects, (ii) making payments into the Debt Service Reserve Fund, Interest Subsidy Fund or Administrative Fund, (iii) the payment of Notes, (iv) the redemption of Bonds, and (v) the refunding of Bonds.

No additional Series of Bonds may be authorized and issued under the Resolution unless:

- (a) the principal amount thereof, together with the principal amount of the Bonds of the State theretofore issued, will not exceed in aggregate principal amount any limitation thereon imposed by law;
- (b) the amount of the Debt Service Reserve Fund, upon the issuance and delivery of such additional Bonds and the deposit in the Debt Service Reserve Fund of any obligation, including federal capitalization grant monies, State general obligation bonds, or any amount provided therefor in the Series Resolution authorizing the issuance of such additional Bonds, shall not be less than the Debt Service Reserve Fund Requirement applicable to all Bonds; and
- (c) an Authorized Officer delivers to the Trustee a cash flow certificate as required by the Resolution.

The State expressly reserves the right to adopt one or more other general bond resolutions and reserves the right to issue Notes and any other obligations so long as the same are not a charge or lien on the Municipal Obligations and the Pledged Receipts or payable from the Debt Service Fund or Debt Service Reserve Fund created pursuant to the Resolution.

#### **Refunding Bonds [Section 207]**

All or any part of one or more Series of Refunding Bonds may be issued to refund all or any part of one or more Series of Outstanding Bonds.

A Series of Refunding Bonds may be issued only upon receipt by the Trustee of at least the following:

- (1) With respect to any Bonds, (a) a certificate of an Authorized Officer stating that the Aggregate Debt Service for the then current and each future calendar year with respect to all Series of such Bonds Outstanding immediately prior to such issuance is not greater than the Aggregate Debt Service for each corresponding year with respect to all Series of such Bonds to be Outstanding immediately after such issuance (excluding any Series of such Bonds issued simultaneously with the issuance of the Refunding Bonds), or (b) a certificate of an Authorized Officer stating that on the delivery date of such Refunding Bonds, there is on deposit in the Interest Subsidy Fund, permitted investments bearing interest at such rates and having such principal maturities that for each payment period for the Outstanding Bonds (including the Bonds then being issued), the amount of principal and interest payable on such Interest Subsidy Fund investment equals or exceeds the Interest Subsidy Fund Requirement calculated on such date of delivery;
- (2) Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds which are to be redeemed prior to maturity;
- (3) Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of defeasance to the Holders of the Bonds being refunded;
- (4) Either (a) Investment Obligations (limited for this purpose only to Investment Obligations described in clause (i) of the definition thereof) in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications which are sufficient to pay when due the principal or

redemption price, if applicable and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, or (b) moneys, in amounts as shall be necessary to pay Bonds to be refunded within the meaning of the Resolution; and

(5) A certificate of an Authorized Officer containing such additional statements as may be reasonably necessary to show compliance with the requirements of the Resolution.

All moneys and obligations held by the Trustee, pursuant to paragraph (4) above, shall be held in a separate account irrevocably in trust for and assigned to the respective holders of the Bonds to be refunded to be used only as provided in the Resolution.

#### **Events of Default [Section 1201]**

Each of the following events is declared and shall constitute an “event of default”:

- (a) If the State shall default in the payment of the principal or Redemption Price or Sinking Fund Installment for any Bond when and as the same shall become due, whether at maturity or upon call for redemption;
- (b) If the State shall default in the payment of any installment of interest on any Bonds; or
- (c) If the State shall fail or refuse to comply with the provisions of the State Act, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part in the Resolution, any Series Resolution, any Supplemental Resolution, or in the Bonds contained, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the Trustee or the Holders of not less than 25% in principal amount of Bonds Outstanding.

#### **Remedies [Section 1202]**

Upon the happening and continuance of any event of default specified in paragraphs (a) or (b) above, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in paragraph (c) above, the Trustee may proceed, and upon the written request of the Holders of not less than 25% in principal amount of the Outstanding Bonds, shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

- (a) by mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to require the State to receive and collect Municipal Obligations Payments adequate to carry out the covenants and agreements as to, and pledge of, such Municipal Obligations Payments, and other properties and to require the State to carry out any other covenant or agreement with Bondholders and to perform its duties under the State Act;
- (b) by bringing suit upon the Bonds;
- (c) by action or suit in equity, require the State to account as if it were the trustee of an express trust for the Holders of the Bonds; or
- (d) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds.

No Holder of any Bond shall have any right to institute any suit unless the Holders of 5% in principal amount of the Bonds then Outstanding shall have made written request to, and offered to indemnify, the Trustee and the Trustee shall not have complied with such request within a reasonable time. [Section 1206]

#### **Compensation of Trustee [Section 805]**

The Trustee shall be entitled to reasonable fees and reimbursement by the State for all expenses, charges, counsel fees and other disbursements reasonably incurred by it in the performance of its duties and powers under the Resolution. Each Paying Agent shall also be entitled to reasonable fees and to reimbursement by the State for all expenses and charges reasonably incurred by it in the performance of its duties under the Resolution.

**Resignation of Trustee [Section 807]**

The Trustee may at any time resign and be discharged of the duties and obligations created by the Resolution by giving not less than 60 days' written notice to the State and publishing notice thereof, specifying the date when such resignation shall take effect, once in the Authorized Newspapers. Such resignation shall take effect immediately upon the appointment of a successor Trustee pursuant to the Resolution.

**Removal of Trustee [Section 808]**

The Trustee shall be removed by the State if at any time such removal is so requested by an instrument or concurrent instruments in writing, filed with the Trustee and the State, and signed by the Holders of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the State. The State may remove the Trustee with or without cause, at any time, except during the existence of an Event of Default, by filing an instrument signed by an Authorized Officer, provided, however, that the diligent pursuit of its responsibilities shall not be cause for removal of the Trustee by the State. Removal of the Trustee shall take effect upon the appointment of a successor Trustee in accordance with the Resolution.

**Defeasance [Section 1401]**

If the State shall pay or cause to be paid to the Holders of all Bonds then Outstanding, the principal or Redemption Price, if any, and interest to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the covenants, agreements and other obligations of the State to the Bondholders shall be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys or securities shall have been set aside and shall be held in trust by Fiduciaries (through deposit by the State of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. All Outstanding Bonds of any Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect so expressed if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the State shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption on such Bonds on said date as provided in the Resolution, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, the State shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in Authorized Newspapers a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Neither Investment Obligations or moneys so deposited with the Trustee nor principal or interest payments on any such Investment Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Investment Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the State, as received by the Trustee, free and clear of any trust, lien or pledge.

Investment Obligations deposited with the Trustee pursuant to Section 1401 of the Resolution only include bonds or obligations of, or obligations guaranteed by, the State or the United States of America or instrumentalities of the United States.

**Supplemental Resolutions [Section 1001]**

The State may adopt at any time or from time to time Series Resolutions or Supplemental Resolutions for any one or more of the following purposes, and any such Series Resolution or Supplemental Resolution will become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer:

- (1) To provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to specify and determine such matters and things referred to in Article II of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued paid or redeemed;
- (2) To add additional covenants and agreements of the State for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the State contained in the Resolution;
- (3) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the State which are not contrary to or inconsistent with the limitation and restrictions thereon theretofore in effect;
- (4) To surrender any right, power or privilege reserved to or conferred upon the State by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the State contained in the Resolution;
- (5) To confirm as further assurance any pledge under and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution of the Municipal Obligations and Pledged Receipts or of any other moneys, securities or funds;
- (6) To permit the issuance of Bonds in bearer form if authorized under the Resolution, including such provisions relating to payment, notices, selection of Bonds for redemption, and similar matters relating to bearer bonds in general;
- (7) To establish such additional funds and/or accounts as are deemed necessary and proper to further the purposes of the Clean Water Fund program;
- (8) To modify any of the provisions of the Resolution or any previously adopted Series Resolution in any other respects, provided that such modifications will not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Series Resolution or Supplemental Resolution cease to be Outstanding, and all Bonds issued under such resolutions must contain a specific reference to the modifications contained in such subsequent resolutions; or
- (9) To cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect.

The provisions of the Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of Bondholders in accordance with and subject to the provisions of the Resolution with regard to Amendments (see Section 1101).

#### **Amendments [Section 1101]**

Any modification or amendment of the Resolution and of the rights and obligations of the State and of the Holders of the Bonds, in any particular, may be made by a Supplemental Resolution, with the written consent of:

- (1) the Holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, or
- (2) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, the Holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given;

provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like series and maturity remain Outstanding, the consent of the Holders of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under Section 1101.

No such modification or amendment may permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds or of any installment of interest thereon or Sinking Fund Installment therefor, or a reduction in the principal

amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or may reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment.

The terms and provisions of the Resolution and the rights and obligations of the State and of the Holders of the Bonds may be modified or amended in any respect upon the adoption and filing with the Trustee by the State of a copy of a Supplemental Resolution and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Resolution, except that no notice to Bondholders either by mailing or publication will be required; provided, however, that no such modification or amendment will change or modify any of the rights or obligations of the Trustee or Paying Agents without the filing with the Trustee of his written assent thereto in addition to the consent of Bondholders.

---

**THIS PAGE INTENTIONALLY  
LEFT BLANK**

---

**SUMMARY OF CERTAIN PROVISIONS OF EACH  
PROJECT LOAN AND PROJECT GRANT AGREEMENT**

**The Loan Agreement**

Each Project Loan and Project Grant Agreement (hereinafter a “Loan Agreement”) is an entirely separate agreement but contains substantially the same terms and provisions as the other Loan Agreements. The following is a summary of certain terms of each Loan Agreement, and is qualified in its entirety by reference to the detailed provisions of each Loan Agreement. In the following summary of each Loan Agreement, references to the Municipality and the Project refer to the Municipality and the Project relating to such Loan Agreement.

**Loan Provisions**

*Loan Clauses.* Subject to the conditions and in accordance with the terms of the Loan Agreement the State agrees to make the Project Loan and the Municipality agrees to accept the Project Loan from the State.

To the extent permitted by law the Municipality agrees to establish a dedicated source for repayment of the Project Loan satisfactory to the State and not inconsistent with federal law. The Municipality shall issue a note in satisfaction of the above-stated requirement.

[Section 4.1]

The Municipality will issue and deliver one or more Project Loan Obligations to evidence its obligation to repay the Project Loan. The Project Loan Obligation shall bear interest at the rate of 2% per annum and shall be payable as to principal and interest (a), in equal monthly installments commencing one month after the Scheduled Completion Date, or (b) in a single annual installment, representing the first year’s principal and interest not later than one year from the Scheduled Completion Date and monthly installments thereafter and shall mature no later than twenty years from the Scheduled Completion Date.

[Section 4.3 and 4.5]

*Prepayment by Municipality.* The Municipality may at any time prepay any Interim Funding Obligation or Project Loan Obligation in whole or in part together with accrued interest to the date of such prepayment on the amount paid. Prepayments of Interim Funding Obligations shall be applied against Project Loan Advances that have been outstanding the longest. Prepayments of Project Loan Obligations shall be applied to the principal of the Project Loan Obligation in inverse order of maturity of the installments of principal due thereon or in such other order as may be acceptable to the Municipality and the State. Prepayments of Project Loan Obligations shall be in whole multiples of \$5,000 only, provided that any installment less than \$5,000 shall be paid in such amount.

[Section 4.6]

*Disbursement of Loan Proceeds.* Prior to any disbursements, the Municipality must establish an Account with the State Tax Exempt Bond Fund. The Account is the sole instrument by which the Municipality will receive its Project Grant and Project Loan proceeds from the State. Proceeds of the Project Loan and Project Grant shall be disbursed as an Advance and wired by the State to the Account upon the written request thereof from the Municipality to the State accompanied by evidence that such amounts have been incurred by or on behalf of the Municipality for the payment of Project Costs. Each such request from the Municipality shall indicate (a) the total amount of the costs incurred for the Project which have not been included in any prior Advance request, (b) the total amount of such costs which are Eligible Project Costs, (c) the total amount of such costs which are Grant Eligible Costs, (d) the amount of the Project Grant Advance, and (e) the amount of the Project Loan Advance.

The Municipality has covenanted to use the proceeds of the Project Loan solely to pay or reimburse itself for paying Project Costs. The Municipality shall promptly disburse, as applicable, the proceeds of such Project Loan after it receives notice that such proceeds have been deposited in its Account of the Tax Exempt Bond Fund.

[Sections 4.4 and 7.5]

*Reimbursement of the State.* If any Audit required by the Loan Agreement reveals that the actual Eligible Project Costs are less than the amount specified in such Loan Agreement, the Municipality shall, as soon as practicable, but not less than 90

days after the State notifies such Municipality in writing of the results of the Audit, repay the difference between the Project Loan received and the Project Loan it would have received if the Audited Eligible Project Costs figure had been used to calculate the Project Loan.

[Section 4.5]

*Remedies.* If an Event of Default, as defined in the Loan Agreement, shall occur and be continuing, then the State may declare by notice to the Municipality that the principal of and interest accrued on any outstanding Interim Funding Obligation and Project Loan Obligation is immediately due and payable, whereupon the same shall be due and payable immediately, without further notice or demand of any kind.

[Section 9.21]

## **The Project**

*Construction and Maintenance of the Project.* The Municipality will undertake and complete the Project in accordance with the final plans and specifications developed and approved by the Commissioner of the State Department of Environmental Protection in compliance with the schedule established by the Commissioner. The Municipality will operate and maintain the Project properly after completion of construction, will own such Project and will comply with all existing statutes, rules and regulations applicable to the operation of the Project for the design life of the Project.

[Sections 7.1 and 7.3]

## **Compliance with Law**

The Municipality shall at all times comply with all applicable Federal and State laws and regulations pertaining to the Project.

[Section 6.8]

## **Tax Compliance**

The Municipality agrees and covenants that it shall at all times do and perform all acts and things reasonably requested by the State to ensure that interest paid on any Bonds issued by the State, as defined in the Loan Agreement, shall for purposes of Federal income taxation be excludable from the gross income of the recipients thereof under the Internal Revenue Code of 1986, as amended.

[Section 7.7]

## **Continuing Disclosure; Official Statement**

The Municipality shall provide or cause to be provided to the State and/or directly to information repositories such annual financial information, operating data regarding the Project, audited financial statements and any other financial information as may be required by the State, in its sole judgment, to comply with Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission in connection with issuance of Bonds. The obligation of the Municipality shall include the execution of a Continuing Disclosure Agreement and/or other certifications related to the Loan Agreement, in each case when requested by the State based on applicable requirements and materiality standards under the Rule.

Further, the Municipality agrees to provide to the State such information with respect to the Municipality as may be requested by the State for inclusion in an appendix to the State's official statement or other offering documents relating to the offering and sale of Bonds. Modification and Amendments

The Loan Agreement shall not be modified or amended except upon a written instrument executed by the State and the Municipality.

[Section 10.10]



## DEFINITIONS OF CERTAIN TERMS

*The following definitions apply to summaries of the Loan Agreements and the Resolution and to the terms not otherwise defined in the Official Statement.*

*Accountant's Certificate*--shall mean a certificate signed by a certified public accountant of a firm of independent certified public accountants of recognized standing selected by the State.

*Aggregate Debt Service*--for any period shall mean, with respect to Bonds, as of any date of calculation and with respect to all such Bonds, the sum of the amounts of Debt Service for such period.

*Audit*--shall mean an accounting and certification of all Eligible Project Costs incurred in accordance with the approved plans and specifications pursuant to a Loan Agreement.

*Authorized Newspapers*--shall mean not less than two newspapers, customarily published at least once a day for at least five (5) days (other than legal holidays) in each calendar week, printed in the English language, one of which is of general circulation, in Hartford, Connecticut and the other of which is a financial newspaper circulated in the Borough of Manhattan, City and State of New York.

*Authorized Officer*--shall mean the Treasurer, any Deputy Treasurer of the State and any other person designated to the Trustee by such persons as an Authorized Officer.

*Bond Counsel*--shall mean an attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds selected by the State.

*Bondholders or Holder of Bonds or Holder*--(when used with reference to Bonds) or any terms of similar import, shall mean the person or party in whose name the Bond is registered.

*Debt Service*--for any period shall mean, as of any date of calculation and with respect to any Series of Bonds issued under the General Bond Resolution, an amount equal to the sum of (i) interest payable during such period on Bonds of such Series, and (ii) that portion of the installments of principal for such Series which are payable during such period minus the allocable portion of any balance on deposit in the Debt Service Fund as of such date of calculation. Such interest and installments of principal for such Series shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each installment of principal on the due date thereof. Any balance in the Debt Service Fund as of such date of calculation shall be allocated to the period or periods in which such balance will be applied. With respect to any Series of Bonds bearing a variable rate of interest, interest to become due in any year shall be estimated by the State on the date of issuance of such Series of Bonds based on a Pro Forma Bond Issue of such Series of Bonds set forth in the Series Resolution authorizing such Bonds.

*Debt Service Reserve Fund Requirement*--shall mean, as of any date, an amount equal to fifty percent (50%) of the aggregate principal amount of Bonds Outstanding on such date.

In lieu of cash or securities, the State may satisfy the Debt Service Reserve Fund Requirement in part or in whole by maintaining (i) insurance from insurers with a credit rating within the two highest rating categories from Moody's Investors Service and Standard & Poor's; (ii) letters of credit from a banking institution having a credit rating on its long-term unsecured debt within the two highest rating categories from Moody's Investors Service and Standard & Poor's; or (iii) a Federal Letter of Credit, in each case except in the case of the Federal Letter of Credit, making funds available to the Trustee for the same purpose, for the same period of time, and subject to the same conditions as such cash or securities would be available.

*Earnings*--shall mean all income or gain on moneys deposited in any of the Funds established by the Resolution, except for the Rebate Fund, including the amortization of premiums on each Interest Payment Date and the recognition of discounts at maturity.

*Fees and Charges*--shall mean all fees and charges, if any, charged by the State to Municipalities pursuant to the terms and provisions of Loan Agreements.

*Fiduciary or Fiduciaries*--shall mean the Trustee, and Paying Agent or any or all of them, as may be appropriate.

*Fiscal year*--shall mean any twelve (12) consecutive calendar months commencing with the first day of July and ending the last day of the following June.

*Interest Payment Date*--shall mean April 1 and October 1 of each year or such other date, or dates on which interest on such Bonds is payable as set forth in a Series Resolution.

*Interest Subsidy Fund Requirement*--shall mean for any period (a "Period") as of any date of calculation, the amount, if any, by which the Aggregate Debt Service payable during the Period exceeds the sum of (a) the Debt Service Reserve Fund Earnings payable during the Period, (b) Municipal Obligations Payments scheduled to be received during the Period, including payments with respect to Loans anticipated to be made from amounts on deposit in the Loan Fund on such date (and including Earnings thereon), (c) any moneys on deposit in the Revenue Fund at the beginning of the Period, (d) any earnings on the Loan Fund expected to be transferred to the Revenue Fund during the Period and (e) earnings, if any, anticipated to be received during the Period on the amounts described in (a) through (d) above.

*Interim Funding Obligation*--shall mean any bonds or notes issued by a Municipality in anticipation of a Project Loan Obligation.

*Investment Obligations*--shall mean:

- (i) bonds or obligations of, or guaranteed by, the State or the United States, or instrumentalities of the United States;
- (ii) certificates of deposit, commercial paper, savings accounts and bank acceptances of institutions having a rating at least equal to the rating on the Bonds according to Standard & Poor's or Moody's Investors Service or any rating service recognized by the State banking commissioner, provided however, such institutions shall at least be rated by Standard & Poor's and Moody's Investors Service at a rating which is at least equal to the rating on the Bonds;
- (iii) the obligations of any state of the United States or any political subdivision, authority or agency thereof, provided that at the time of investment such obligations have a rating at least equal to the rating on the Bonds according to Standard & Poor's or Moody's Investors Service or any rating service recognized by the State banking commissioner, provided however, such obligations shall at least be rated by Standard & Poor's and Moody's Investors Service at a rating which is at least equal to the rating on the Bonds;
- (iv) the obligations of any regional school district in the State, of any municipality in the State or any metropolitan district in the State, provided that at the time of investment such obligations of such government entity have a rating at least equal to the rating on the Bonds according to Standard & Poor's and Moody's Investors Service or any rating service recognized by the State banking commissioner, provided however, such obligations shall at least be rated by Standard & Poor's and Moody's Investors Service at a rating which is at least equal to the rating on the Bonds, or obligations held in any fund in which a trustee may invest pursuant to Section 36-9w of the Connecticut General Statutes provided, however, that the rating on such obligations is at least equal to the rating on the Bonds;
- (v) investment agreements with, or guaranteed by, institutions with ratings at least equal to the rating on the Bonds rated according to Standard & Poor's and Moody's Investors Service or any rating service recognized by the State banking commissioner, provided however, such institutions shall at least be rated by Standard & Poor's and Moody's Investors Service at a rating which is at least equal to the rating on the Bonds; or
- (vi) such other investments permissible pursuant to Section 3-20 of the General Statutes of the State as such Section may be amended from time to time, provided that such investments have a rating at least equal to the rating on the Bonds according to Standard & Poor's and Moody's Investors Service or any rating service recognized by the State banking commissioner, provided however, such investments shall at least be rated by Standard & Poor's and Moody's Investors Service at a rating which is at least equal to the rating on the Bonds.

*Memorandum of Agreement*--shall mean the document which creates a cooperative relationship between the Treasurer and the DEP and delegates to the Treasurer certain responsibilities with respect to the implementation and management of the Clean Water Fund program.

*Municipal Obligations Payment*--shall mean the payment made or required to be made by a Municipality to the State which represents the interest due or to become due on its Municipal Obligations and/or the payment made or required to be made by a Municipality to the State which represents the principal due or to become due on its Municipal Obligations.

*Notes*--shall mean any bond anticipation notes issued by the State pursuant to the State Act for purposes of the Clean Water Fund program.

*Outstanding*--when used with reference to Bonds, other than Bonds owned or held by or for the account of the State, shall mean, as of any date, Bonds theretofore or then being delivered under the provisions of the Resolution, except: (i) any Bonds cancelled by the Trustee or any Paying Agent at or prior to such date, (ii) any Bonds for the payment or redemption of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agents in trust (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, irrevocable notice of such redemption shall have been given as provided in the General Bond Resolution or provision satisfactory to the Trustee shall have been made for the giving of such notice, (iii) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to the General Bond Resolution, and (iv) Bonds deemed to have been defeased as provided in the General Bond Resolution.

*Pledged Receipts*--shall mean the Municipal Obligations Payments including both timely and delinquent payments with late charges, if any, and shall include Fees and Charges held or collected by the State and fines and penalties collected by the DEP under the Clean Water Fund Revenue Bond Program.

*Project Loan Obligations*--shall mean bonds or notes issued by a Municipality to evidence the permanent financing by such Municipality of its indebtedness under a Loan Agreement with respect to a Loan, made payable to the State for the benefit of the Clean Water Fund and containing such terms and conditions and being in such form as may be approved by the Commissioner of DEP.

*Record Date*--shall mean, unless otherwise determined by a Series Resolution for a Series of Bonds, the close of business on the fifteenth day preceding a payment date or, if such day shall not be a Business Day, the immediately preceding Business Day.

*Redemption Date*--shall mean any date, as provided in a Series Resolution for the redemption of Bonds of such Series.

*Redemption Price*--shall mean, with respect to any Bonds, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the General Bond Resolution and the Series Resolution pursuant to which such Bond was issued.

*Refunding Bonds*--shall mean all Bonds constituting the whole or part of a Series of Bonds delivered upon original issuance to refund all or any part of one or more Series of Outstanding Bonds pursuant to the Resolution.

*Series or Bonds of a Series* or words similar meaning--shall mean the series of Bonds authorized by a Series Resolution and issued under the Resolution.

*Sinking Fund Installment*--shall mean, as of any particular date of calculation, (i) the amount required by the General Bond Resolution and the Series Resolution to be deposited by the State for the retirement of bonds which are stated to mature subsequent to such date or (ii) the amount required by the General Bond Resolution and the Series Resolution to be deposited by the State on a date for the payment of Bonds at maturity on a subsequent date.

*Tax Exempt Bond Fund*--shall mean the Tax Exempt Proceeds Fund Inc., created pursuant to Connecticut General Statutes Section 3-24a, as amended.

*Trustee*--shall mean the bank or trust company appointed pursuant to the General Bond Resolution to act as trustee thereunder, and its successor or successors and any other bank or trust company at any time substituted in its place pursuant to the General Bond Resolution.

*Underwriter*--shall mean collectively the individuals or firms which purchase and reoffer the Bonds at the prices or yields set forth in the Official Statement to investors.

---

**THIS PAGE INTENTIONALLY  
LEFT BLANK**

---

FORM OF STATE CONTINUING DISCLOSURE AGREEMENT

*In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the State will agree, pursuant to a Continuing Disclosure Agreement for the 2001 Bonds to be executed by the State substantially in the following form, to provide, or cause to be provided, (i) certain annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the 2001 Bonds and (iii) timely notice of a failure by the State to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for the 2001 Bonds.*

Continuing Disclosure Agreement

This Continuing Disclosure Agreement (the "Agreement") is made as of the \_\_\_\_ day of June, 2001 by the State of Connecticut (the "State") acting by its undersigned officer, duly authorized, in connection with the issuance of \$100,000,000 Clean Water Fund Revenue Bonds, 2001 Series, dated June 1, 2001 (the "Bonds"), for the benefit of the beneficial owners from time to time of the Bonds.

**Section 1. Definitions.** For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"Final Official Statement" means the official statement of the State dated May 24, 2001 prepared in connection with the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"NRMSIR" means any nationally recognized municipal securities information repository recognized by the SEC from time to time. As of the date of this Agreement the NRMSIRs are:

Bloomberg Municipal Repositories  
P.O. Box 840  
Princeton, NJ 08542-0840  
Phone: (609) 279-3225  
Fax: (609) 279-5962  
Email: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

DPC Data Inc.  
One Executive Drive  
Fort Lee, NJ 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107  
Email: nrmsir@dpcdata.com

Interactive Data  
Attn: Repository  
100 Williams Street  
New York, NY 10038  
(212) 771-6899  
Fax: (212) 771-7390  
Email: NRMSIR@interactivedata.com

Standard & Poor's J. J. Kenny Repository  
55 Water Street – 45<sup>th</sup> Floor  
New York, NY 10041  
(212) 438-4595  
Fax: (212) 438-3975  
Email: nrmsir\_repository@sandp.com

"Obligated Person" means any borrower identified by the State pursuant to Section 2(a)(3)(iii) of this Agreement.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

"SID" means any state information depository established or designated by the State of Connecticut and recognized by the SEC from time to time. As of the date of this Agreement no SID has been established or designated by the State of Connecticut.

## **Section 2. Annual Financial Information.**

(a) The State agrees to provide or cause to be provided to each NRMSIR and any SID, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2001) as follows:

(1) Financial statements of the State's Clean Water Fund - State Revolving Fund and the Drinking Water Fund - State Revolving Fund, which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory

principles as in effect from time to time. As of the date of this Agreement, the State prepares the financial statements in accordance with generally accepted accounting principles but is not required to do so. The financial statements will be audited.

(2) Financial statements of the State's general fund, special revenue funds, debt service funds, capital projects funds, enterprise funds, internal service funds and trust and agency (fiduciary) funds and the general long-term debt account group for the prior fiscal year, which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the State is required to prepare financial statements of its various funds and accounts on a budgeted basis (i.e., on the basis of the modified cash method of accounting described the State's Annual Information Statement and Information Supplement included by cross-reference in Appendix C to the Final Official Statement). As of the date of this Agreement, the State also prepares its financial statements in accordance with generally accepted accounting principles but is not required to do so. The financial statements will be audited.

(3) To the extent not included in the financial statements described in (1) above, the financial information and operating data within the meaning of the Rule described below (with references to the Final Official Statement); provided, however, that references to the Final Official Statement for the Bonds as a means of identifying such financial information and operating data shall not prevent the State from reorganizing such material in subsequent official statements or annual information reports: a list of Clean Water Fund and Drinking Water Fund borrowers indicating (i) amounts of loans outstanding and undrawn commitments (as of the end of the most recent fiscal years of the Clean Water Fund and Drinking Water Fund), (ii) expected additional loan commitments through the end of the next succeeding fiscal years of the Clean Water Fund and Drinking Water Fund, and (iii) any such borrower whose total Clean Water Fund and Drinking Water Fund loans outstanding, undrawn commitments and expected additional loan commitments equals in the aggregate 10% or more of the aggregate principal amount of the State's Clean Water Fund Revenue Bonds issued under the Senior General Bond Resolution and the State's Clean Water Fund Subordinate Revenue Refunding Bonds issued under the Subordinate General Bond Resolution to fund the State's Clean Water Fund and Drinking Water Fund Programs then outstanding.

(b) The State shall require borrowers entering into Clean Water Fund and Drinking Water Fund Project Loan and Project Grant Agreements to agree to enter into Continuing Disclosure Agreements in the event they become Obligated Persons. If the State receives notice that an Obligated Person has failed to provide annual financial information or operating data, the State shall use its best efforts to otherwise provide the continuing disclosure for such Obligated Person.

(c) The financial statements and other financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided. The Clean Water Fund and Drinking Water Fund fiscal years currently end on June 30. The State's fiscal year currently ends on June 30.

(d) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents previously provided to each NRMSIR, any SID, or the SEC. If the document to be cross-referenced is a final official statement, it must be available from the MSRB. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report or an annual information statement of the State.

(e) The State reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in mandated state statutory principles as in effect from time to time; provided that the State agrees that the exercise of any such right will be done in a manner consistent with the Rule.

### **Section 3. Material Events.**

The State agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB and (ii) any SID, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (g) modifications to rights of holders of the Bonds;
- (h) Bond calls;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds; and
- (k) rating changes.

### **Section 4. Notice of Failure to Provide Annual Financial Information.**

The State agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB and (ii) any SID, notice of any failure by the State to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(c) hereof.

### **Section 5. Use of Agents.**

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the State or by any agents which may be employed by the State for such purpose from time to time.



## **Section 6. Termination.**

The obligations of the State under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the State ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

## **Section 7. Enforcement.**

The State acknowledges that its undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the State shall fail to perform its duties hereunder, the State shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Sections 3 and 4 of this Agreement) from the time the State's Assistant Treasurer for Debt Management, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Assistant Treasurer for Debt Management is 55 Elm Street, 6th Floor, Hartford, Connecticut 06106.

In the event the State does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The State expressly acknowledges and the beneficial owners are hereby deemed to expressly agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

## **Section 8. Miscellaneous.**

(a) The State shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided however, nothing in this Agreement shall be construed as prohibiting the State from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the State elects to provide any such additional information, data or notices, the State shall have no obligation under this agreement to update or continue to provide further additional information, data or notices of the type so provided.

(b) This Agreement shall be governed by the laws of the State of Connecticut.

(c) Notwithstanding any other provision of this Agreement, the State may amend this Agreement, and any provision of this Agreement may be waived, if (i) such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal law requirements, a change in law, or a change in the identity, nature or status of the State, (ii) the Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, and (iii) such amendment or waiver is supported by either an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds or an approving vote by the holders of not less than two-thirds of the aggregate principal amount

of the Bonds then outstanding. A copy of any such amendment or waiver will be filed in a timely manner with (i) each NRMSIR or the MSRB, and (ii) any SID. The annual financial information provided on the first date following the adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver.

STATE OF CONNECTICUT

By \_\_\_\_\_  
Denise L. Nappier  
Treasurer

## FORM OF MUNICIPAL CONTINUING DISCLOSURE AGREEMENT

*In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, each Borrower included in Appendix A of the Final Official Statement will agree, pursuant to a Municipal Continuing Disclosure Agreement for the 2001 Bonds to be executed by the Borrower substantially in the following form, to provide, or cause to be provided, (i) certain annual financial information and operating data, and (ii) timely notice of a failure of the Borrower to provide the required annual financial information on or before the date specified in the Municipal Continuing Disclosure Agreement for the 2001 Bonds.*

### Municipal Continuing Disclosure Agreement

This Municipal Continuing Disclosure Agreement (the "Agreement") is made as of the \_\_\_\_ day of June, 2001 by the \_\_\_\_\_ (the "Borrower") acting by its undersigned officer, duly authorized, in connection with the issuance of \$100,000,000 State of Connecticut (the "State") Clean Water Fund Revenue Bonds, 2001 Series, dated June 1, 2001 (the "Bonds"), for the benefit of the beneficial owners from time to time of the Bonds.

**Section 1. Definitions.** For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"Final Official Statement" means the official statement of the State dated May 24, 2001 prepared in connection with the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"NRMSIR" means any nationally recognized municipal securities information repository recognized by the SEC from time to time. As of the date of this Agreement the NRMSIRs are:

Bloomberg Municipal Repositories  
P.O. Box 840  
Princeton, NJ 08542-0840  
Phone: (609) 279-3225  
Fax: (609) 279-5962  
Email: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

DPC Data Inc.  
One Executive Drive  
Fort Lee, NJ 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107  
Email: nrmsir@dpcdata.com

Interactive Data  
Attn: Repository  
100 Williams Street  
New York, NY 10038  
(212) 771-6899  
Fax: (212) 771-7390  
Email: NRMSIR@interactivedata.com

Standard & Poor's J. J. Kenny Repository  
55 Water Street – 45<sup>th</sup> Floor  
New York, NY 10041  
(212) 438-4595  
Fax: (212) 438-3975  
Email: nrmsir\_repository@sandp.com

“Objective Criteria” means any Borrower whose total loans outstanding, undrawn commitments and expected additional loan commitments equals in the aggregate 10% or more of the aggregate principal amount of the State’s Clean Water Fund Revenue Bonds issued under the Senior General Bond Resolution and the State’s Clean Water Fund Subordinate Revenue Refunding Bonds issued under the Subordinate General Bond Resolution to fund the State’s Clean Water Fund and Drinking Water Fund Programs then outstanding.

“Rule” means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

“SEC” means the Securities and Exchange Commission of the United States, or any successor thereto.

“SID” means any state information depository established or designated by the State of Connecticut and recognized by the SEC from time to time. As of the date of this Agreement no SID has been established or designated by the State of Connecticut.

## **Section 2. Annual Financial Information.**

(a) The Borrower agrees to provide or cause to be provided to each NRMSIR and any SID, in accordance with the provisions of the Rule and of this Agreement, annual financial

information and operating data (commencing with information and data for the fiscal year ending June 30, 2001) as follows:

(i) Financial statements of the Borrower's general fund, special revenue funds, enterprise and internal service (proprietary) funds, agency and trust (fiduciary) funds and general fixed assets and general long-term obligations account groups, for the prior fiscal year, which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the Borrower prepares its financial statements in accordance with generally accepted accounting principles. The financial statements will be audited.

(ii) To the extent not included in the financial statements described in (i) above, the financial information and operating data relating to the Borrower contained in Appendix A of the Final Official Statement.

(b) The financial statements and other financial information and operating data described above will be provided on or before the eight months after the close of the fiscal year for which such information is being provided. The Borrower's fiscal year currently ends on June 30.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents previously provided to each NRMSIR, any SID, or the SEC. If the document to be cross-referenced is a final official statement, it must be available from the MSRB. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report or an annual information statement of the Borrower.

(d) The Borrower reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in mandated state statutory principles as in effect from time to time; provided that the Borrower agrees that the exercise of any such right will be done in a manner consistent with the Rule.

### **Section 3. Material Events.**

(Not applicable to Borrower)

### **Section 4. Notice of Failure to Provide Annual Financial Information.**

The Borrower agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB, (ii) any SID, and (iii) the State, notice of any failure by the Borrower to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

**Section 5. Use of Agents.**

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the Borrower or by any agents which may be employed by the Borrower for such purpose from time to time.

**Section 6. Termination.**

The obligations of the Borrower under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the State determines that (A) the Borrower ceases to be an obligated person meeting the Objective Criteria with respect to the Bonds within the meaning of the Rule and the State's Continuing Disclosure Agreement with respect to the Bonds and (B) all borrowers meeting the Objective Criteria have entered into Municipal Continuing Disclosure Agreements with respect to the Bonds.

**Section 7. Enforcement.**

The Borrower acknowledges that its undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the Borrower shall fail to perform its duties hereunder, the Borrower shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertaking set forth in Section 4 of this Agreement) from the time the Borrower's Comptroller/Treasurer/Authorized Official, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Borrower is \_\_\_\_\_.

In the event the Borrower does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The Borrower expressly acknowledges and the beneficial owners are hereby deemed to expressly agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

**Section 8. Miscellaneous.**

(a) The Borrower shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided however, nothing in this Agreement shall be construed as prohibiting the Borrower from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the Borrower elects to provide any such additional information, data or notices, the Borrower shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(b) This Agreement shall be governed by the laws of the State of Connecticut.

(c) Notwithstanding any other provision of this Agreement, the Borrower may amend this Agreement, and any provision of this Agreement may be waived, if (i) such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Borrower, (ii) the Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, and (iii) such amendment or waiver is supported by either an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds or an approving vote by the holders of not less than two-thirds of the aggregate principal amount of the Bonds then outstanding. A copy of any such amendment or waiver will be filed in a timely manner with (i) each NRMSIR or the MSRB, and (ii) any SID. The annual financial information provided on the first date following the adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver.

BORROWER

By \_\_\_\_\_  
Authorized Officer

---

**THIS PAGE INTENTIONALLY  
LEFT BLANK**

---



FORM OF CO-BOND COUNSEL OPINION

*Upon the issuance of the 2001 Bonds, Nixon Peabody LLP, New York, New York and the Hardwick Law Firm, LLC, Kansas City, Missouri, as Co-Bond Counsel, will deliver its Co-Bond Counsel opinion in substantially the same form as set forth in this Appendix H.*

Honorable Denise L. Nappier  
Treasurer, State of Connecticut  
Hartford, Connecticut

We have examined the transcript of proceedings (the “Transcript”) relating to the issuance by the State of Connecticut (the “State”) of \$100,000,000 aggregate principal amount of State of Connecticut Clean Water Fund Revenue Bonds, 2001 Series (the “2001 Bonds”). The 2001 Bonds are authorized to be issued under and pursuant to the Constitution and laws of the State, particularly Sections 22a-475 to 22a-483, inclusive, as amended, of the General Statutes of Connecticut (the “Act”) and by a resolution entitled “State of Connecticut Clean Water Fund Revenue Bond Program General Bond Resolution” adopted by the State Bond Commission (the “Commission”) on December 7, 1990, as amended and supplemented (the “General Bond Resolution”) and a resolution adopted by the Commission on December 15, 2000 entitled “A Series Resolution Authorizing the Issuance of \$130,000,000 Clean Water Fund Revenue Bonds, 2001 Series” (the “Series Resolution”) and together with the General Bond Resolution, the “Resolutions”) and proceedings duly had and taken in conformity therewith, including a Certificate of Determination executed by the State Treasurer dated June 12, 2001 and filed with the Secretary of the Commission. The 2001 Bonds are being issued for the purpose of providing funds to carry out the State’s Clean Water Fund Revenue Bond Program, including the making of loans to municipalities (“Municipalities”) in the State for water pollution control projects and safe drinking water projects eligible for financing under the Act. The Transcript documents include certified copies of the Resolutions and the Certificate of Determination. We also have examined a conformed copy of a 2001 Bond. All capitalized terms used in this opinion and not otherwise defined herein shall have the same meanings assigned to them as in the Resolutions.

Based on such examination, we are of the opinion that, under the law existing on the date of this opinion:

(1) The 2001 Bonds have been duly authorized, executed and issued in accordance with the Constitution and statutes of the State, particularly the Act, and constitute valid and legally binding special revenue obligations of the State, for the payment of which the State has validly pledged the Pledged Receipts, as defined in the General Bond Resolution, and other revenues or receipts, funds or moneys pledged therefor under the General Bond Resolution for payment of the principal of and interest on the 2001 Bonds. The 2001 Bonds shall not be payable

Honorable Denise L. Nappier

June \_\_, 2001

Page 2

from nor charged upon any funds other than receipts, funds or moneys pledged therefor as provided in the Act, the General Bond Resolution or the Series Resolution. Payment of the principal of and interest on the 2001 Bonds is subject to bankruptcy laws and other laws affecting creditors' rights and the exercise of judicial discretion.

(2) The Series Resolution has been duly and lawfully adopted in accordance with, and is authorized and permitted by the provisions of the General Bond Resolution, and the Resolutions have been duly and lawfully adopted by the State, are in full force and effect and are valid and binding upon the State and enforceable in accordance with their terms and no other authorizations for the Resolutions are required.

(3) The 2001 Bonds, together with all Bonds outstanding under the General Bond Resolution and any Bonds which subsequently may be issued under the General Bond Resolution, are secured by a pledge in the manner and to the extent set forth in the General Bond Resolution. The General Bond Resolution creates the valid pledge of and the valid lien upon the Pledged Receipts and other revenues or receipts, securities, funds or moneys held or set aside or to be set aside and held in the Revenue Fund, Debt Service Fund, Debt Service Reserve Fund, Interest Subsidy Fund, Loan Fund and Administrative Fund established or confirmed thereunder, which the General Bond Resolution purports to create, subject only to the provisions of the General Bond Resolution permitting the application thereof for or to the purposes and on the terms and conditions set forth in the General Bond Resolution. Such lien is valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the State, irrespective of whether such parties have notice thereof.

(4) The 2001 Bonds do not constitute a debt or liability of the State or bonds issued or guaranteed by the State within the meaning of Section 3-21 of the General Statutes of Connecticut, as amended, or a pledge of its full faith and credit or of its taxing power and are payable from the funds provided therefor pursuant to the Resolutions and the Act.

(5) The Internal Revenue Code of 1986 (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the 2001 Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2001 Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the 2001 Bonds. The Issuer has covenanted to maintain the exclusion from gross income of the interest on the 2001 Bonds pursuant to Section 103 of the Code and, in furtherance thereof, to comply with the Tax Compliance Certificate with respect to the 2001 Bonds.

Under existing law and assuming compliance with the tax covenants described herein, interest on the 2001 Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect

to individuals and corporations. Interest on the 2001 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

Co-Bond Counsel is also of the opinion that interest on the 2001 Bonds is excluded from Connecticut income tax on individuals, trusts and estates and from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Interest on the 2001 Bonds is included in gross income for purposes of the Connecticut corporation business tax.

All of the 2001 Bonds maturing on October 1, 2003 through 2008, and a portion of the 2001 Bonds maturing on October 1, 2013 through 2017 as well as on October 1, 2019 and 2020 (collectively, the "Premium Bonds"), are being offered at prices in excess of their principal amounts. We are of the opinion that an initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such 2001 Bonds.

Except as stated in the preceding four paragraphs, we express no opinion as to any other Federal or state tax consequences of the ownership or disposition of the 2001 Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the 2001 Bonds, or the interest thereon, if any action is taken with respect to the 2001 Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

We also have examined a record of proceedings relating to the issuance of (i) State of Connecticut Taxable General Obligation Bonds (Water Pollution Control, 2001 Series BC-1), bearing an original issue date of June 12, 2001 (the "2001 Series BC-1 Bonds"), which have been deposited in and credited to the Debt Service Reserve Fund and (ii) State of Connecticut Taxable General Obligation Bonds (Water Pollution Control, 2001 Series BC-2), bearing an issue date of June 12, 2001 (the "2001 Series BC-2 Bonds") which have been deposited in and credited to the Interest Subsidy Fund. The 2001 Series BC-1 Bonds and the 2001 Series BC-2 Bonds are collectively, referred to herein as (the "State G.O. Bonds"). The State G.O. Bonds are valid and legally binding general obligations of the State for the payment of the principal of and

Honorable Denise L. Nappier  
June \_\_, 2001  
Page 4

interest on which the full faith and credit of the State are pledged and the General Assembly of the State has power to levy ad valorem taxes upon all the taxable property within the State without limitation as to rate or amount and to pay the principal thereof and interest thereon.

Very truly yours,

---

**THIS PAGE INTENTIONALLY  
LEFT BLANK**

---

---

**THIS PAGE INTENTIONALLY  
LEFT BLANK**

---





Recycled Paper - Printed by  
IMAGEMASTER 800-452-5152