

FAIRFIELD HILLS CAMPUS - FINANCIAL IMPACT STUDY

Based on estimated project capital costs of approximately \$21,000,000 and additional operating expenses to manage and maintain the Fairfield Hills property generally and to provide for building operation of renovated Shelton House as a municipal facility, attached is a schedule of incremental impacts on the local mill rate which might be expected over the next five years.

The principal impact is the debt service on bonds. Based on a preliminary schedule prepared by the Newtown finance department, this begins at a lower amount in the initial years before the full authorization is issued and increases as more bonds are placed, reaching a peak when all bonds are outstanding and then gradually declining as principal is scheduled to be reduced by about \$1,050,000 annually with corresponding reductions in the following years interest expense.

The management of the property will also be an expense. Some provision is already included in the current budget in the amount of \$500,000. A \$500,000 additional expense is included for the 2002-2003 fiscal year, being reduced in later years when buildings have been cleared. The loss of approximately \$400,000 payment in lieu of taxes from the State of Connecticut scheduled for 2004-2005 is another consequence of the project. And the renovation of Shelton House for town offices and educational use is estimated to increase plant operations expense.

Year over year comparisons indicate the incremental costs will be equivalent to .73 mills in 2002-2003 with an additional 0.02 mills in 2003-2004 and .06 mills in 2004-2005 after which the reduced management and debt services expenses would result in incremental decreases in the mill rate.

Of course a number of variables can influence this forecast including the pace and timing of the bond issuance and the pace of demolition activity at the project, since the demolition of buildings is anticipated to reduce property management expense. Non-project events such as changes in the grand list, negotiation of union contracts and changing interest rates may have larger impacts on the mill rate than the project. The potential revenue from economic development of sections of the campus is another variable which is not reflected in the schedule.

FINANCIAL IMPACT STUDY							
FISCAL YEAR	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	
BUDGET	\$72,980,000	TBD	TBD	TBD	TBD	TBD	
EXPENSE ITEM							
CHANGE IN DEBT SERVICE	\$760,000	\$773,250	\$469,125	-\$49,875	-\$49,874	-\$49,875	
INCREMENTAL PROPERTY MANAGEMENT	\$500,000	\$500,000	-\$500,000	-\$250,000			
SHELTON HOUSE OPERATION	NONE	NONE	\$65,000				
CHANGE IN STATE PAYMENT IN LIEU OF TAXES	NONE			\$400,000			
NET INCREMENTAL COST PER YEAR		\$1,273,250	\$34,125	\$100,125	-\$49,874	-\$49,875	
APPROX. GRAND LIST	\$1,755,399,000						
MILL RATE IMPACT AT CONSTANT GRAND LIST		0.73	0.02	0.06	-0.03	-0.03	
Assumption #1: Staged issuance of bonds with principal reductions and reduction in total debt service beginning in 2004-2005							
#2: \$1,000,000 for property management in present condition for 2002-2003							
#3: \$500,000 for property management with some demolition completed in 2003-2004							
#4: \$250,000 for property management as stabilized budget for 2004-2005 and after							
#5: Shelton House becomes operational in 2003-2004							
#6: Payment in lieu of Taxes is paid in full for 2001-2004 and is not paid beginning in 2004-2005							
OVERALL MILL RATE IF NO OTHER CHANGE	31.8	32.53	31.82	31.86	31.77	31.77	