

PRELIMINARY PRIVATE PLACEMENT MEMORANDUM

New Issue - Book Entry Only

Rating: Standard & Poor's: "AA-"

In the opinion of Bond Counsel, based on existing statutes, regulations, rulings and court decisions and assuming the material accuracy of representations and continuing compliance by the City with covenants and procedures relating to requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the Bonds will be "qualified zone academy bonds" ("QZABs") within the meaning of Section 1397E of the Internal Revenue Code of 1986, as amended the "Code", and an "eligible taxpayer" (as defined in Code Section 1397E(d)(6) who owns a Bond on any "credit allowance date" (as defined in Code Section 1397E(i)) will be allowed a Federal income tax credit in the amount allowable for QZABs under Code Section 1397E for the taxpayer's taxable year in which a credit allowance date occurs. The QZAB tax credits (which are treated as deemed payments of interest for Federal income tax purposes) and any other interest on the Bonds are included in gross income for Federal income tax purposes as described under "Tax Matters" herein. See Apenndix B.



CITY OF NORWICH, CONNECTICUT
\$2,940,000
GENERAL OBLIGATION BONDS, SERIES 2008 (QZAB SERIES)

Dated: Date of Delivery

Due: As detailed below.

The Bonds will be issued in book-entry only form and will mature as set forth below. The Bonds, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for DTC, New York, New York. See "Book-Entry-Only Transfer System" herein.

MATURITY SCHEDULE

Table with 8 columns: Maturity, Principal, Interest Rate*, CUSIP, Maturity, Principal, Interest Rate*, CUSIP. It lists maturity dates from 2009 to 2020 with principal amounts of \$245,000 and interest rates of 0%.

* Eligible taxpayers, as defined herein, who own the Bonds will receive a credit against taxable income for federal tax purposes equal to the principal amount of the Bonds owned by the eligible taxpayer on the relevant "credit date" times the applicable credit rate which is ____%. See "Tax Matters" for more information regarding the tax consequences to holders of Qualified Zone Academy Bonds ("QZABs").

The Bonds are dated as of their date of delivery and will mature on the dates and amounts as set forth on the cover hereof. The Bonds are issued as Qualified Zone Academy Bonds ("QZAB"), as defined in Section 1397E of the Internal Revenue Code of 1986, as amended. The Bonds will not bear interest, but holders of the Bonds will receive certain tax benefits as described herein. See "Tax Matters". The Bonds will not be subject to redemption prior to maturity.

The Bonds will be general obligations of the City of Norwich, Connecticut secured by the full faith and credit of the Town and will be issued in book-entry only form whereby the Beneficial Owners of the Bonds will not receive physical delivery of Note certificates. Principal of and interest payments on the Bonds will be made by the Town to The Depository Trust Company, New York, New York ("DTC"), or its nominee as registered owner of the Bonds. DTC will credit its participants in accordance with their respective holdings shown in the records of DTC. It is anticipated that the Beneficial Owners of the Bonds will receive payment or credit from DTC participants and other nominees of the Beneficial Owners.

The Bonds are offered for delivery when, as and if issued, subject to the final approving opinion of Murtha Cullina LLP, Bond Counsel, of Hartford and New Haven, Connecticut. It is expected that delivery of the Bonds in book-entry-only form will be made through the facilities of DTC on or about December 30, 2008.

This cover page contains certain information for quick reference only. It is NOT a summary of the issue. Investors must read the entire Private Placement Memorandum to obtain information essential to the making of an informed investment decision.

William Blair & Company

Private Placement Memorandum Dated December __, 2008

This Preliminary Placement Memorandum and the information contained herein are subject to completion, amendment or other change without notice. The securities described herein may not be sold nor may offers to buy be accepted prior to the time the Placement Memorandum is delivered in final form. Under no circumstances shall this Preliminary Placement Memorandum constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the applicable securities laws of any such jurisdiction.

This Private Placement Memorandum is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds. Any statements made in this Private Placement Memorandum involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. The presentation of information in this Private Placement Memorandum is intended to show recent historic trends and is not intended to indicate future or continuing trends in financial or other positions of the City. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. Neither the delivery of this Private Placement Memorandum nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the City since the date of the Private Placement Memorandum.

All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the City contained herein do not purport to be complete, are subject to repeal or amendment, and are qualified in their entirety by reference to such laws and the original official documents. All references to the Bonds and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations, other than those contained in this Private Placement Memorandum or any supplement which may be issued hereto, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Private Placement Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, in reliance upon exemptions contained in such Act. The Bonds will not be listed on any stock or other securities exchange. Any registration or qualification of the Bonds in accordance with applicable provisions of securities laws of the states in which the Bonds may be registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy of the Private Placement Memorandum or, except for the City, approved the Bonds for sale. Any representation to the contrary may be a criminal offense.

The information relating to The Depository Trust Company ("DTC") and the book-entry only system contained in this Private Placement Memorandum have been furnished by DTC (see "Book-Entry Only System" herein). No representation is made by the City as to the adequacy or accuracy of such information. The City has not made any independent investigation of DTC or the book-entry only system.

TABLE OF CONTENTS

BOND ISSUE SUMMARY	1
THE BONDS	5
Introduction	5
Description of Bonds	5
Availability of Continuing Information	6
Optional Redemption	6
Securities and Remedies	6
Qualification for Financial Institutions	7
Authorization and Purpose	7
Use of Proceeds	7
Book-Entry Only System	7
DTC Practices	8
Tax Matters	9
Overview of QZABs	9
QZAB Program Requirements	10
Certain Ongoing Federal Tax Requirements and Covenants	11
Eligible Taxpayers	12
Amount of QZAB Tax Credit and Credit Allowance Date	12
QZAB Credit Rate	12
Limitation on Use of QZAB Tax Credits	12
Deductions of Unused QZAB Tax Credits	12
QZAB Tax Credits Included in Gross Income as Deemed Interest	12
Interest Income Taxable	12
Original Issue Discount	13
Sale, Exchange, or Other Disposition	14
Defeasance	14
Governmental Action	14
Rating	14
Placement Agent	14
THE ISSUER	16
Form of Government	16
Economic Development	17
Principal City Officials	19
Organizational Chart	20
Summary of Municipal Services	21
City Employees	23
Municipal Employees (Full-time Equivalents)	23
Remainder of page intentionally left blank.	23
Municipal Employees Collective Bargaining Units	24
School Facilities	25
School Enrollment	25
Population Trends	27
Age Characteristics of Population - 2007	27
Income Distribution	27
Income Levels	28
Educational Attainment	28
Major Employers	28
Employment By Industry	29
Employment Data	29
Age Distribution Of Housing	29
Housing Inventory	30
Owner-Occupied Housing Values	30
Building Permits	30
TAX BASE DATA	32
Property Tax	32
Property Tax Assessment	32

Property Tax Levy	32
Taxable Grand List	33
Taxable Grand List and Tax Collections (Unaudited).....	33
Ten Largest Taxpayers	34
FINANCIAL INFORMATION.....	36
Fiscal Year	36
Basis of Accounting and Accounting Policies	36
Budgetary Procedures.....	37
Annual Audit	37
Pension Plans.....	37
Other Post Employment Benefits.....	37
Investment Policies and Practices.....	37
General Fund Revenues and Expenditures	38
DEBT SUMMARY	40
Principal Amount of Indebtedness	40
Annual Bonded Debt Maturity Schedule.....	41
Overlapping/Underlying Debt.....	41
Debt Statement ¹	41
Current Debt Ratios	42
Bond Authorization	42
Temporary Financing	42
Limitation of Indebtedness	42
Statement of Statutory Debt Limitation.....	43
Authorized But Unissued Debt.....	44
LEGAL AND OTHER INFORMATION	46
Litigation	46
Documents To Be Furnished At Closing.....	46
Concluding Statement.....	47
APPENDIX A: FISCAL 2007 AUDITED FINANCIAL STATEMENTS	
APPENDIX B: OPINION OF BOND COUNSEL	
APPENDIX C: FORM OF CONTINUING DISCLOSURE AGREEMENTS FOR BONDS	

BOND ISSUE SUMMARY

The information in this section is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Private Placement Memorandum. Investors must read the entire Private Placement Memorandum to obtain information essential to the making of an informed decision. The Private Placement Memorandum speaks only as of its date and the information herein is subject to change.

Issuer:	The City of Norwich, Connecticut (the "City")
Issue:	\$2,940,000
Dated Date:	Date of Delivery
Principal:	Annually, commencing December 30, 2009
Denominations:	\$5,000 or integral multiples thereof.
Redemption:	The Bonds are not subject to redemption prior to maturity.
Purpose:	The proceeds from the Bonds will provide funding for school projects completed under the State of Connecticut authorization for qualified zone academy projects.
Security:	The Bonds will be general obligations of the City of Norwich, Connecticut and the City will pledge its full faith and credit to pay the principal of and interest on the Bonds when due.
Rating:	The Bonds have been assigned a rating of "AA-" by Standard & Poor's. See "THE BONDS - Rating" herein
Bank Qualification:	The Bonds shall NOT be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense incurred to carry the Bonds.
Tax Exemption:	The Bonds are not tax-exempt. The Bonds allow an eligible taxpayer a nonrefundable annual federal income tax credit. See "TAX MATTERS" and Appendix B.
Certifying Agent, Registrar, Transfer Agent and Paying Agent:	U.S. Bank National Association, 225 Asylum Street, Goodwin Square, Hartford, Connecticut
Legal Opinion:	Murtha Cullina LLP, Bond Counsel, CityPlace I 185 Asylum Street, Hartford, CT 06103.
Continuing Disclosure:	The City will agree to provide, or cause to be provided, annual financial and material event information to municipal repositories in accordance with SEC Rule 15c 2-12 (See Appendix C- "FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BONDS" herein).
Delivery:	It is expected that delivery of the Bonds in book-entry only form to The Depository Trust Company will be made on or about December 30, 2008. Payment must be made in Federal Funds.

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK.

- **Introduction**
- **Description of the Bonds**
- **Availability of Continuing Information**
- **Optional Redemption**
- **Securities and Remedies**
- **Qualification for Financial Institutions**
- **Authorization and Purpose**
- **Use of Proceeds**
- **Book-Entry Only System**
- **DTC Practices**
- **Tax Matters**
- **Overview of QZABs**
- **QZAB Program Requirements**
- **Certain Ongoing Federal Tax Requirements and Covenants**
- **Eligible Taxpayers**
- **Amount of QZAB Tax Credit and Credit Allowance Date**
- **Limitation on Use of QZAB Tax Credits**
- **Deductions of Unused QZAB Tax Credits**
- **QZAB Tax Credits Included in Gross Income as Deemed Interest**
- **Interest Income Taxable**
- **Original Issue Discount**
- **Sale, Exchange, or Other Disposition**
- **Defeasance**
- **Governmental Action**
- **Rating**
- **Placement Agent**

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK.

THE BONDS

Introduction

This Private Placement Memorandum ("Private Placement Memorandum"), including the cover page and appendices, has been prepared by the City of Norwich, Connecticut (the "City") in connection with the sale of \$2,940,000 General Obligation Bonds, Series 2008 (QZAB) (the "Bonds").

All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the City contained herein do not purport to be complete are subject to repeal or amendment and are qualified in their entirety by reference to such laws and the original official documents. All references to the Bonds and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive forms of the Bonds and such proceedings.

The information, estimates and expressions of opinion in this Private Placement Memorandum are subject to change without notice.

The presentation of information is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other positions of the City. Except for information expressly attributed to other sources, all financial and other information presented herein has been provided by the City.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations, other than those contained in this Private Placement Memorandum or any supplement which may be issued hereto, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Private Placement Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

U.S. Bank National Association will certify the Bonds and act as Registrar, Transfer Agent and Paying Agent for the Bonds.

Bond Counsel is not passing upon and does not assume responsibility for the sufficiency, accuracy or completeness of the statements made or financial information presented in this Private Placement Memorandum (other than matters expressly set forth as its opinion in Appendix B - "Form of Opinion of Bond Counsel" and Tax Matters" herein) and makes no representation that it has independently verified the same.

The independent auditors have not provided their written consent to use their Independent Auditors' Report. The auditors have not been engaged nor performed audit procedures regarding the post audit period.

Description of Bonds

The Bonds are dated as of their date of delivery and will mature on the dates in the years and amounts as set forth on the cover hereof. The Bonds are issued as Qualified Zone Academy Bonds ("QZAB"), as defined in Section 1397E of the Internal Revenue Code of 1986, as amended. **The Bonds will not bear interest, but holders of the Bonds will receive certain tax benefits as described herein.** See "Tax Matters." The Bonds will not be subject to redemption prior to maturity.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds.

The Certifying Agent, Paying Agent, Registrar and Transfer Agent will be U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103.

Availability of Continuing Information

The City prepares, in accordance with State law, annual audited financial statements and files such annual audits with the State Office of Policy and Management on an annual basis. The City provides, and will continue to provide, to the rating agencies ongoing disclosure in the form of the annual financial reports, recommended and adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

The City will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to this Private Placement Memorandum ("Form of Continuing Disclosure Agreement for Bonds"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12(b)(5) (the "Rule") (i) timely notice of the occurrence of certain material events with respect to the Bonds, and (ii) timely notice of a failure by the City to provide the required annual financial information and operating data on or before the date specified in the Continuing Disclosure Agreement. The winning bidder's obligation to purchase the Bonds shall be conditioned upon it receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement.

The City has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of its general obligation Bonds to provide certain annual financial information and event notices pursuant to Rule 15c2-12(b)(5). To date, the City has not failed to meet any of its undertakings under such agreements.

Optional Redemption

The Bonds are not subject to redemption prior to maturity.

Securities and Remedies

The Bonds will be general obligations of the City of Norwich, Connecticut, and the City will pledge its full faith and credit to pay the principal and interest on the Bonds when due.

Unless paid from other sources, the Bonds are payable from general property tax revenue of the City. The City has the power under Connecticut General Statutes to levy ad valorem taxes on all taxable property in the City without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. On the last completed Grand List of the City, there were no acres certified as such forest land. Under existing statutes, the State of Connecticut is obligated to pay the City the amount of tax revenue which the City would have received except for the limitation upon its power to tax such dwelling houses.

Payment of the Bonds is not limited to property tax revenues or any other revenue source, but certain revenues of the City may be restricted as to use and therefore may not be available to pay debt service on the Bonds.

There are no statutory provisions for priorities in the payment of general obligations of the City. There are no statutory provisions for a lien on any portion of the tax levy or other revenues or City property to secure the Bonds or judgments thereon, in priority to other claims.

The City is subject to suit on its general obligation Bonds and Bonds, and a court of competent jurisdiction has the power in appropriate proceedings to render a judgment against the City. Courts of competent jurisdiction also have the power in appropriate proceedings to order payment of a judgment on such Bonds or Bonds from funds lawfully available therefor or, in the absence thereof, to order the City to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts may take into account all relevant factors, including the current operating needs of the City and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal or interest on such Bonds or Bonds of the City would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, heretofore or hereafter enacted and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This

prohibition applies to any City, city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

The City of Norwich, Connecticut has never defaulted in the payment of principal or interest on its Bonds or Bonds.

Qualification for Financial Institutions

The Bonds SHALL NOT BE designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

Authorization and Purpose

The Bonds are issued pursuant to the General Statutes of Connecticut, as amended, the Charter of the City of Norwich and certain bond ordinances adopted by the City Council.

Use of Proceeds

Proceeds of the Bonds will be used to finance eligible QZAB qualified projects listed below:

<u>Project</u>	<u>Amount Authorized</u>	<u>Previously Bonded</u>	<u>(Reductions)/ New Money</u>	<u>The Bonds</u>
Kelly School Improvements	\$40,250,000	\$-	\$2,940,000	\$2,940,000

Book-Entry Only System

The following information has been furnished by DTC, New York, New York, for use in this Private Placement Memorandum and neither the City nor the Underwriter takes any responsibility for its accuracy or completeness.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each interest rate of the Bonds, and will be deposited with DTC.

DTC, the world’s largest securities depository, 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. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, 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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on, and redemption premium, if any, with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. 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, Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Paying Agent, disbursement 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.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

NEITHER THE CITY, THE PAYING AGENT, NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO NOTEHOLDERS; AND (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS NOTEHOLDER.

DTC Practices

The City can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds will act in a manner described in this Private Placement Memorandum. DTC is required to act according to rules and procedures established by DTC and its participants which are on file with the Securities and Exchange Commission.

Tax Matters

Opinion of Bond Counsel

In the opinion of Bond Counsel under existing statutes, regulations, rulings, and court decisions, and assuming the material accuracy of representations and continuing compliance by the City with covenants and procedures relating to the Internal Revenue Code of 1986, as amended (the "Code"), the Bonds will be "qualified zone academy bonds" ("QZABs") within the meaning of Section 1397E of the Internal Revenue Code of 1986, as amended the "Code"), and an "eligible taxpayer" (as defined in Code Section 1397E(d)(6) who owns a Bond on any "credit allowance date" (as defined in Code Section 1397E(f)) will be allowed a Federal income tax credit in the amount allowable for QZABs under Code Section 1397E for the taxpayer's taxable year in which a credit allowance date occurs. The QZAB tax credits (which are treated as deemed payments of interest for Federal income tax purposes) and any other interest on the Bonds are included in gross income for Federal income tax purposes. In rendering its opinion, Bond Counsel has relied upon and assumed (i) the material accuracy of the representations, statements of intention and expectation and certification of fact contained in the Tax Regulatory Agreement, and (ii) continuing compliance by the City with the covenants and procedures set forth in the Tax Regulatory Agreement as to such Tax Matters to assure the continued qualification of the Bonds as QZABs which are eligible for Federal income tax credits under Section 1397E of the Code.

Bond Counsel expresses no opinion regarding any other Federal tax consequences or any state or local tax consequences with respect to the Bonds.

Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the qualification of the Bonds as QZABs eligible for Federal income tax credits under Section 1397E of the Code, or under state and local tax law.

General

The discussion herein summarizes certain material Federal income tax consequences regarding an investment in the Bonds, based on the advice of Bond Counsel. This discussion only addresses such consequences to an initial purchaser of Bonds and is based on certain relevant provisions of the Code under existing law. This discussion does not purport to deal with all aspects of Federal income taxation that may affect particular investors in light of their individual circumstances. This discussion generally is limited to investors who hold the Bonds as "capital assets," which generally means property held for investment. This discussion is included for general information only. Prospective investors, particularly those subject to special rules, should consult their tax advisors regarding the consequences of purchasing, owning, and disposing of the Bonds for Federal income tax purposes, and for state and local tax purposes.

Overview of QZABs

The Bonds are intended to be "qualified zone academy bonds" ("QZABs") under Section 1397E of the Code. In general, a QZAB is a taxable bond issued by a State or local government as part of an issue in which at least 95% of the proceeds are to be used for certain prescribed "qualified purposes" to improve certain eligible public schools. Owners of the Bonds are sometimes referred to as "QZAB Bondholders." In general, an "eligible taxpayer" under Code Section 1397E(d)(6) (as described further herein, an "Eligible Taxpayer") who owns a Bond on any "credit allowance date" under Code Section 1397E(i) (as described further herein, a "Credit Allowance Date"), will be allowed a nonrefundable annual Federal income tax credit, in lieu of periodic interest payments, in the amount allowable for QZABs under Code Section 1397E for the taxpayer's taxable year in which a Credit Allowance Date occurs (a "QZAB Tax Credit").

In general, the amount of the annual QZAB Tax Credit allowable to a QZAB Bondholder is equal to the product of the following: (i) the credit rate for the Bonds determined by the Treasury Department on the first day on which there is a binding written contract for the sale or exchange of the Bonds which is specified herein under the caption "QZAB Credit Rate" and is referred to as the "Credit Rate"); multiplied by (ii) the outstanding principal amount of such Bond owned by an Eligible Taxpayer on each Credit Allowance Date. These annual QZAB Tax Credits are treated as paid on the last day of the one-year period beginning on the issue date of the Bonds and the last day of

each successive one-year period thereafter until maturity of the Bonds (each such annual date being a "Credit Allowance Date").

Basically, the amount of a QZAB Tax Credit is included in a QZAB Bondholder's gross income as an item of deemed interest along with other items of income that factor into the calculation of its Federal income tax liability, but the QZAB Tax Credit then offsets and reduces the resulting Federal income tax liability so determined.

QZAB Program Requirements

QZABs involve numerous program requirements including, among other things, an eligible local issuer restriction, a 95% qualified use of proceeds test, a 10% private business contribution requirement, a local education agency approval requirement, a maturity restriction, and a volume cap restriction. This section summarizes certain QZAB program requirements.

Eligible Local Issuer. Eligible issuers of QZABs include States or political subdivisions located in the jurisdiction in which the qualified zone academy is located. Under Treasury Regulations, eligible issuers also include entities empowered to issue obligations "on behalf of States and political subdivisions under rules similar to those for the issuance of State or local bonds under Section 103 of the Code.

95% Use of Proceeds Test. The 95% use of proceeds test generally requires that at least 95% of the proceeds of an issue of QZABs be used for any "qualified purpose" under Code Section 1397E(d)(5) with respect to a "qualified zone academy" under Code Section 1397E(d)(4) of the Code which is established by an eligible local education agency (the "95% Use of Proceeds Test"). For this purpose, Treasury Regulations provide that "proceeds" include both sale proceeds and investment proceeds.

Treasury Regulations provide that an issue of QZABs meets the 95% Use of Proceeds Test only if the issuer reasonably expects as of the issue date of the issue that contracts will be entered into for an amount of not less than 10% of the proceeds within 6 months of issuance, and also as of the issue date, reasonably expects that at least 95% of the proceeds: (i) will be spent for qualified purposes within 5 years after issuance, (ii) will be spent with due diligence, and (iii) will be used for a qualified purpose for the entire term of the issue. In addition to the foregoing reasonable expectations, except to the extent that the issuer takes certain permitted remedial actions to cure failures to meet this 95% test in fact, at least 95% of the proceeds of the QZABs actually are used for qualified purposes with respect to qualified zone academies for the entire term of the QZABs. Permitted remedial actions to cure failures to use proceeds of QZABs for qualified purposes include certain prescribed redemptions within 90 days or longer defeasances of nonqualified QZABs, with all earnings on the defeasance escrow rebated to the United States, and certain alternative uses of disposition proceeds within two years for qualified purposes.

Qualified Purposes. "Qualified purposes" for uses of proceeds of QZABs with respect to a qualified zone academy under Code Section 1397E(d)(5) include rehabilitating or repairing the public school in which the academy is established, providing equipment for use at such academy, developing course materials for education to be provided at such academy, and training teachers and other school personnel in such academy. The use of proceeds of QZABs to pay debt service on QZABs, however, is not a qualified purpose. Qualified uses of proceeds for rehabilitating or repairing public schools or providing equipment for use at public schools generally depends on ongoing qualified use whereas qualified uses for developing course materials and training generally are treated as qualified throughout the term of the QZABs if those uses qualified upon expenditures of proceeds.

Qualified Zone Academy. A "qualified zone academy" under Code Section 1397E(d)(4) includes any public school or academic program within a public school which is established by and operated under the supervision of an eligible local education agency to provide education or training below the post-secondary level if the four requirements described below are met. First, the public school or program must be designated in cooperation with business to enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the rigors of college and the increasingly complex workforce. Second, students in the public school or program must be subject to the same academic standards and assessments as other students educated by the local education agency. Third, the comprehensive education plan of such public school or program is approved by the eligible local education agency. Fourth, either: (i) the public school is located in an empowerment zone or enterprise community (with this determination of whether the public school is located in such a zone or community being made on a one-time basis as of the issue date of the QZABs); or (ii) there is a reasonable expectation as of the issue date of the QZABs that for the one year period following the issue date at least 35% of the students attending the

school or program will be eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act.

10% Private Business Contribution Requirement. The 10% private business contribution requirement under Code Section 1397E(d)(2) requires that the eligible local education agency which established the qualified zone academy have "written commitments" from eligible private entities to make "qualified contributions" having a present value as of the issue date of the QZABs of at least 10% of the proceeds of the issue. For this purpose, Treasury Regulations provide that "proceeds" means sale proceeds, but not investment proceeds. For this purpose, "private entities" generally include any "person" within the meaning of Code Section 7701(a), but excluding the United States, a State or local government, or any agency or instrumentality, or related party to such excluded persons. For example, private entities include private business corporations, private individuals, and 501(c)(3) exempt nonprofit organizations. Qualified contributions include contributions of a type and quantity acceptable to the eligible local education agency of any of the following: (i) equipment for use in the qualified zone academy (including state-of-the-art technology and vocational equipment); (ii) technical assistance in developing curriculum or in training teachers in order to promote appropriate market driven technology in the classroom; (iii) services of employees as volunteer mentors; (iv) internships, field trips, or other educational opportunities outside the academy for students; or (v) any other property or service specified by the eligible local education agency. Treasury Regulations clarify that qualified contributions include cash contributions to be used for the foregoing purposes. The present value of qualified contributions from private entities as of the issue date is determined based on a discount rate equal to the Credit Rate (as defined herein).

The issuer of QZABs must certify that it has "written assurances" that the private business contribution requirement will be met. The introduction to the Treasury Regulations indicates that Treasury and the IRS intend that this certification will be respected and may be relied upon by owners of a qualified zone academy bond if the certification is reasonably made.

Local Education Agency Approval. Under Code Section 1397E(d)(1)(C), the issuer of QZABs also must certify that it has the written approval of the "eligible local education agency" within the meaning of Section 9101 of the Elementary and Secondary Education Act of 1965 for the bond issuance. The introduction to the Treasury Regulations indicates that Treasury and the IRS intend that this certification will be respected and may be relied upon by owners of a qualified zone academy bond if the certification is reasonably made.

Maturity Restriction. QZABs have a maximum maturity under Code Section 1397E(d)(3) which is determined by the Treasury Department in a manner designed to result in a present value of the obligation to repay the principal amount of the QZABs which is equal to 50% of the stated principal amount of the QZABs. Under Treasury Regulations, the Treasury Department determines this maximum maturity based on a discount rate equal to 110% of the long-term adjusted applicable federal rate for the month in which the QZABs are sold based on a binding written contract for the sale or exchange of the QZABs.

Volume Cap. A national annual volume cap limitation applies to QZABs under Code Section 1397E(e). The volume cap within a state is allocated by the state education agency. The City has received a carry forward volume cap allocation for the Bonds. Certain Ongoing Federal Tax Requirements and Covenants

Certain Ongoing Federal Tax Requirements and Covenants

The QZAB provisions of the Code and Treasury Regulations have many provisions aimed to enable compliance with the Federal tax requirements for QZABs to a considerable extent based on certifications and reasonable expectations as of the issue date of the QZABs. At the same time, however, the Code and Treasury Regulations establish certain ongoing requirements that must be met subsequent to the issuance of the Bonds in order to ensure the continuing qualification of the Bonds as QZABs which are eligible for Federal income tax credits under Section 1397E of the Code. These requirements include, but are not limited to, requirements relating to due diligence with respect to expenditures of proceeds and ongoing qualified use of proceeds for qualified purposes with respect to qualified zone academies. Noncompliance with such requirements may cause the Bonds to lose their qualification as QZABs, possibly retroactively to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to ensure the continuing qualification of the Bonds as QZABs which are eligible for Federal income tax credits under Section 1397E of the Code.

Eligible Taxpayers

"Eligible taxpayers" under Code Section 1397E(d)(6) ("Eligible Taxpayers") who are entitled to take QZAB Tax Credits as owners of QZABs on Credit Allowance Dates include only the following entities: (i) a "bank" within the meaning of Code Section 581; (ii) an insurance company to which subchapter L of the Code applies; and (iii) a corporation actively engaged in the business of lending money.

Amount of QZAB Tax Credit and Credit Allowance Date

In general, the amount of the annual QZAB Tax Credit allowable to a QZAB Bondholder is equal to the product of the following: (i) the Credit Rate; multiplied by (ii) the outstanding principal amount of such Bond owned by an Eligible Taxpayer on each Credit Allowance Date. The annual QZAB Tax Credits are treated as paid on the last day of the one-year period beginning on the issue date of the Bonds and the last day of each successive one-year period thereafter until maturity of the Bonds (each such annual date being a "Credit Allowance Date").

QZAB Credit Rate

The applicable Credit Rate for the Bonds is ____%.

Limitation on Use of QZAB Tax Credits

Code Section 1397E(c) limits the amount of an allowable annual QZAB Tax Credit to the sum of the QZAB Bondholder's regular Federal income tax liability and Federal alternative minimum income tax liability under Section 55 of the Code, less the QZAB Bondholder's other Federal tax credits (except certain refundable tax credits set forth in subpart C of part IV of subchapter A of the Code.)

Deductions of Unused QZAB Tax Credits

Treasury Regulations provide that if a QZAB Bondholder cannot use all of the QZAB Tax Credit otherwise allocable for the taxable year, such QZAB Bondholder is allowed a deduction for the taxable year that includes the Credit Allowance Date (or, at the option of the QZAB Bondholder, the next succeeding taxable year), equal to the unused portion of the credit deemed paid on such Credit Allowance Date.

QZAB Tax Credits Included in Gross Income as Deemed Interest

Basically, the amount of an annual QZAB Tax Credit is included in a QZAB Bondholder's gross income as an item of deemed interest along with other items of income that factor into the calculation of its Federal income tax liability, but the QZAB Tax Credit then offsets and reduces the resulting Federal income tax liability so determined. Specifically, Code Section 1397E(j) requires a QZAB Bondholder to include the full amount of a QZAB Tax Credit (determined without regard to the limitation on use of such credits under Code Section 1397E(c) as described above) in gross income for Federal income tax purposes. Treasury Regulations further provide that the QZAB Bondholder must treat such amount as if it was a payment of "qualified stated interest" within the meaning of Treas. Reg. §1.1273-1 (c) on each Credit Allowance Date.

If a QZAB Bondholder uses an accrual method of accounting, the owner must accrue the QZAB Tax Credit as interest income over the one-year period that ends on the Credit Allowance Date. If such an accrual method QZAB Bondholder sells or exchanges a QZAB before any given Credit Allowance Date, the QZAB Bondholder must accrue such interest income up to the date of sale or exchange, but would not be entitled to any portion of the QZAB Tax Credit since it would not hold the QZABs on the Credit Allowance Date.

Interest Income Taxable

In general, interest on the Bonds, including the QZAB Tax Credits which are deemed to be "qualified stated interest" that is payable at least annually at prescribed rates, any other qualified stated interest, and any accrued original issue discount (except for de minimis original issue discount which is subject to special rules), is included in the gross income of the owners as ordinary interest income for Federal income tax purposes. Except for interest in the form of original issue discount, which accrues under special rules discussed herein, interest on the Bonds is

included in the gross income of the owners when accrued or received in accordance with an owner's regular method of Federal tax accounting.

Original Issue Discount

OID in General. "Original issue discount" ("OID") is the amount by which the "issue price" of a Bond is sold at a discount below the "stated redemption price at maturity" of that Bond. In general, the "issue price" of a maturity means the first price at which a substantial amount of those Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as Placement Agents, placement agents, or wholesalers). In general, the issue price for the Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. In general, the "stated redemption price at maturity" of a Bond is the sum of all amounts payable at the stated maturity of a Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates). For any Bond having OID in excess of a statutory de minimis amount, as described below (a "Discount Bond"), the OID accrues and is taken into account as interest income over the term of the Discount Bond using the constant yield method.

In general, under Code Sections 1271 to 1275, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods at least annually, using a compounding rate determined by reference to the yield on that Discount Bond. Under the constant yield method, an owner of a Discount must include OID in income as interest income as it accrues in advance of the receipt of cash payments attributable to such income, regardless of the owner's regular method of Federal tax accounting. An accrual period generally may be of any length selected by an owner of a Discount Bond, provided that each accrual period must be no longer than one year and each scheduled payment of principal or interest on the Discount Bond must be on either the first day or last day of the accrual period. In general, the amount of OID allocable to each accrual period equals: (i) the product of the adjusted issue price at the beginning of the accrual period and the yield to maturity of the Discount Bond (as adjusted to take into account the length of the accrual period); less (ii) the amount of qualified stated interest allocable to the accrual period. Total OID in an accrual period is allocated ratably in equal amounts to each day in the accrual period. The "adjusted issue price" of a Discount Bond at the beginning of an accrual period equals the original issue price, plus OID accrued in all previous accrual periods, and minus any payments previously made on the Discount Bond that failed to qualify as qualified stated interest. Under these rules, owners of Discount Bonds generally will have to include in income increasingly greater amounts of OID in successive accrual periods. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrual of OID on a Discount Bond using the constant yield method is subject to various special rules.

De Minimis OID. Under Code Section 1273(a)(3), if the amount of OID on a Bond is less than a prescribed de minimis amount, then the amount of OID otherwise subject to the constant yield method is treated as zero. A de minimis amount of OID is an amount equal to .0025 multiplied by the product of the stated redemption price at maturity of the Bonds and the number of complete years to maturity from the issue date (or, for certain installment obligations, the weighted average maturity).

The treatment of de minimis OID is described below. In general, the owner of a Bond which has a de minimis amount of OID need not include any OID in income until principal of the Bond is received. If the Bond is a capital asset in the hands of the owner, that de minimis amount of OID generally will be treated as capital gain. The owner generally will have capital gain at the time of sale or payment at maturity equal to the excess of the sale price or stated redemption price at maturity over the issue price. For example, a hypothetical bond with an issue price of \$96.25, a stated redemption price at maturity of \$100, and a 15-year maturity will have de minimis OID equal to \$3.75, and if the original purchaser held that bond to maturity, the owner generally would have \$3.75 of capital gain.

For a Bond with only a de minimis amount of OID, all stated interest (including stated interest that otherwise would be subject to the constant yield method) is treated as qualified stated interest and is taken into account as interest income under the owner's regular method of Federal tax accounting

Constant Yield Elections. In general, an owner of a Bond may elect to include in gross income for Federal income tax purposes all interest (as specially defined below) on that Bond on an accrual basis using the constant yield method described herein. For purposes of this special election, interest includes stated interest, OID, de minimis

OID, market discount, de minimis market discount, and acquisition discount, all as adjusted by any amortizable bond premium. This election is subject to various special rules.

Sale, Exchange, or Other Disposition

In general, upon the sale, exchange, or redemption of a Bond, an owner will recognize taxable gain or loss in an amount equal to the difference between the amount realized (excluding any accrued qualified stated interest which will be taxable as such) and the owner's adjusted tax basis in the Bond. An owner's adjusted tax basis in a Bond generally will equal the owner's initial cost of the Bond, plus accrued OID and accrued market discount previously included in the owner's taxable income, less any bond premium previously amortized, and less any payments previously received on the Bond besides qualified stated interest. Such gain or loss generally will be capital gain or loss. Such gain or loss generally will be long-term capital gain or loss if the owner has held the Bond for more than one year. Subject to various special rules, the Code provides preferential treatment for certain net long-term capital gains realized by individuals and generally limits the use by any taxpayer of capital losses to reduce ordinary income.

Defeasance

Owners of the Bonds should be aware that, for Federal income tax purposes, the deposit by the City of moneys or securities in such amount and manner as to cause the Bonds to be deemed to be no longer outstanding (a "defeasance"), could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, for Federal income tax purposes, the character and timing of receipt of payments on the Bonds subsequent to any such defeasance could also be affected.

Governmental Action

Legislation and regulatory action affecting municipal bonds is regularly under consideration by the United States Congress, the Treasury Department, and other regulatory agencies. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds or regulatory action will not have an adverse effect on the status of the Bonds as QZABs eligible for Federal income tax credits under Section 1347E of the Code or the market price of the Bonds.

Rating

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") has assigned a rating of "AA-" on the Bonds. Such rating reflects only the views of such organization and any explanation of the significance of such rating should be obtained from each rating agency furnishing the same, at the following address: Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., 55 Water Street, New York, New York, 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City furnished certain information and materials to the rating agencies, some of which may not have been included in this Private Placement Memorandum. There is no assurance that such rating will continue for any given period of time or that the rating will not be revised or withdrawn entirely by the agency if, in the judgment of such rating agency, circumstances so warrant. A revision or withdrawal of such ratings may have an effect on the market price of the City's bonds and/or Bonds.

Placement Agent

The Bonds are being purchased by William Blair & Company (the "Placement Agent"). The Placement Agent's total compensation is a fee of \$_____. The Bonds are sold to the purchaser without discount or premium.

- **Description of the City**
- **Economic Development**
- **Form of Government**
- **Principal City Officials**
- **Organizational Chart**
- **Summary of Municipal Services**
- **Municipal Employees Bargaining Organizations**
- **School Facilities**
- **School Enrollments**
- **Principal Public Facilities**
- **Municipal Employees Bargaining Organizations**

THE ISSUER

Form of Government

Norwich was founded in 1659 and incorporated in May 1784. The town and city were consolidated on January 1, 1952. The City of Norwich operates under a Charter adopted in 1952, which was most recently revised March 13, 2001. The significant changes passed by voters in that referendum were the reduction of the City Council members from eleven to six elected at large and the City Council President was replaced with a Mayor. The city operates under a Council/Manager form of government. The City Council consists of six members and one Mayor, all elected at large. Elections are held during odd calendar years as provided by state statute.

In addition to all powers granted to towns and cities under the Constitution and General Statutes of the State of Connecticut, the City Council also has specific powers to be executed through the enactment and enforcement of ordinances and bylaws which protect or promote the peace, safety, good government and welfare of the city and its inhabitants. The Council also has the power to provide for the organization, conduct, and operation of the departments, agencies and offices of the city; for the number, titles qualifications, powers, duties and compensation of all officers and employees of the city; and for making of rules and regulations necessary for the control, management and operation of all public buildings, grounds, parks, cemeteries or other property of the city.

The City Manager is appointed by and directly responsible to the Council and serves at the pleasure of the Council. The manager is responsible to the Council for the supervision and administration of city departments.

Geography

Norwich covers an area of 27.1 square miles located 40 miles southeast of Hartford surrounded by Montville, Preston, Lisbon, Sprague, Franklin, and Bozrah. The city is about three hours from New York City by rail or highway transportation. Providence, Rhode Island is approximately an hour from the city and Boston is approximately two hours away. The city is served by interstate, intrastate, and local bus lines. The city is served by Interstate 395 from north to south connecting Norwich with I-95 and I-90 to Boston and New York. Route 2 links the city with Hartford and I-91. State Route 82 connects downtown Norwich with I-395. Rail transportation and freight service is available to major points including New York, Boston, Providence and Montreal. Air service is available at Groton-New London Airport to the south, Green Airport (Providence) to the east and Bradley Airport to the north. Norwich Harbor provides a 600-foot turning basin connecting with the Thames River and Long Island Sound.

Community Profile

History

Norwich was founded in 1659 by settlers from Old Saybrook led by Major John Mason and Reverend James Fitch. They purchased the land that would become Norwich from the local Native American Mohegan Tribe. In 1668, a wharf was established at Yantic Cove. Settlement was primarily in the three mile area around the Norwichtown Green. The 69 founding families soon divided up the land in the Norwichtown vicinity for farms and businesses. By 1694 the public landing built at the head of the Thames River allowed ships to off load goods at the harbor. The distance between the port and Norwichtown was serviced by the East and West Roads which later became Washington Street and Broadway.

Norwich merchants were shipping goods directly from England, but the Stamp Act of 1764, forced Norwich to become more self sufficient. Soon large mills and factories sprang up along the three rivers which traverse the town, the Yantic, Shetucket, and Thames Rivers. During the American Revolution Norwich supported the cause for independence by supplying soldiers, ships, and munitions. One of the most infamous figures of the Revolution, Benedict Arnold, was born in Norwich. Other Colonial era noteworthies include Samuel Huntington, Christopher Leffingwell, and Daniel Lathrop.

Regular steamship service between New York and Boston helped Norwich to prosper as a shipping center through the early part of the 19th century. During the Civil War, Norwich once again rallied around the cause of freedom and saw the growth of its textile, armaments, and specialty item manufacturing. This was also spurred by the building of the Norwich-Worcester Railroad in 1832 bringing goods and people both in and out of Norwich.

Norwich served as leadership center for Connecticut during the Civil War as Governor William Buckingham was from Norwich and used his home as a de facto office during the war years. Also, State Senator Lafayette Foster later became Acting Vice President after President Abraham Lincoln was assassinated. During this period, Frances M. Caulkins composed her histories of both Norwich and New London.

Through the end of the 19th century and into the early 20th century, Norwich served as home to many large mills. The population grew and became more diverse with an insurgence of different ethnic groups. These new residents helped to build the city's schools, churches, and social centers.

Today, Norwich is a thriving city with a stable population, wide range of municipal services, a modern industrial park, its own utility company, and a positive outlook for residential and business growth.

Education

The city school system includes 10 public and three parochial elementary schools, three public junior high schools, and a privately-endowed high school, Norwich Free Academy, which serves the city. Also located in the city are a Regional State technical high school, Norwich Regional Technical School, and a Regional State Technical/Community College, Three Rivers Community College, offering associate degree programs.

Healthcare

Also located within the city are various health facilities including the 213-bed Backus Hospital, which underwent a \$50 million expansion which was completed in 2007.

Industry

Norwich is also home to a modern industrial park operated by the Norwich Community Development Corporation ("NCDC"), a private non-profit organization. The industrial park is conveniently located close to Route 2, I-395 and other major highways. The park offers commercial and industrial sites on more than 400 wooded acres currently employing over 2,000 people.

Recreation

The city has the 350-acre Mohegan Park in the heart of the city. Facilities at Mohegan Park include a beach, hiking trails, rose gardens, picnic areas and two children's playgrounds. The Chelsea Gardens Foundation finished its master plan for an 80-acre botanical gardens in Mohegan Park in January 2006 and is seeking funding for this proposed project. The new Occum Park and Estelle Cohn Memorial Dog Park were completed in Summer 2005. The city also offers an eighteen-hole public golf course and a public ice skating rink.

Entertainment & Culture

The city has a number of historical and cultural attractions including: Dodd Stadium – home of the Connecticut Defenders, the Leffingwell House Museum, the Spirit of Broadway Theater, the Norwich Arts Council/ Donald Oat Theater, and the Slater Memorial Museum at Norwich Free Academy.

Economic Development

In 2001, the city of Norwich voted for a Charter Revision that created the position of Mayor for the first time in 50 years and made the Mayor responsible and accountable for economic development. The Mayor now works closely with the NCDC a private not-for-profit corporation established 40 plus years ago to improve the economic well-being of the city. The overriding goal for the city is to increase its grand list through activities which "enhance community life, attract newcomers to Norwich, reduces reliance on government agencies, and attracts economic development investment from the State of Connecticut". Objectives identified to achieve this goal include: "revitalized downtown, adaptive reuse of existing structures, increased availability of commercial and industrial and, and maintaining the existing and attracting new educational institutions into the city".

The city's economic development activities are assisted by the NCDC. NCDC is an independent non-profit that is neither directly nor indirectly controlled by the city or any other governmental entity, but by Norwich City Council resolution, is the economic development arm of the city. Many activities are underway which support these objectives, and will move the community toward the city's primary goal.

Commercial/ Industrial Activity

- *Backus Hospital expansion.* In 2007 the hospital completed a \$50 million expansion which included doubling the size of the Emergency Department, enhancing Surgical Services, updating patient rooms and adding more private rooms, adding a new pharmacy and upgrading technology for cancer care.
- *Hilton Hotel at American Wharf* – The PRA Development Group is planning a \$40 million 18-story, 240-room hotel at the American Wharf marina in downtown Norwich. The developers are planning on filing zoning applications in Fall 2008 which could put them on track to begin construction in Spring 2009.
- *Byron Brook Golf Resort Community Project* – One exciting prospect on the horizon is the possible development of roughly 300 acres of land in Occum into a \$200 million golf course/ condominium project. This project is currently in the environmental and traffic permitting process.
- *Route 82 Retail Center* – A \$3 million, 21,000 square-foot retail center is currently under construction on Route 82. This project is expected to be completed by Winter 2008.
- *Hampton Inn & Suites Hotel.* – This \$5 million, 113-room, six-story hotel on the Route 82/ I-395 interchange is currently under construction and is expected to be complete by Winter 2008.
- *Ponemah Mill Adaptive Reuse Project* – This \$15 million project will convert a 19th Century Taftville mill into 250 residential apartment units. This project is expected to be finished in 2010.
- *Thayer Building* – This building in downtown Norwich is being renovated into 70 residential apartment units. The \$3 million project should be completed by the end of 2008.
- *Cadle Mill Adaptive Reuse Project* – This \$7 million project will convert a mill near the Shetucket River into 107 luxury residential apartment units. This project is expected to be finished in 2009.
- *Downtown Businesses.* – The street-level of the Wauregan Hotel is now occupied by a Laundromat, a deli and a florist.

Housing Market

- From January 2004 through June 2008, the Building Division has issued over \$136 million in residential building permits.
- Taking real estate sales from October 2003 through October 2007, properties have been selling for, on average, 39.08% higher than their October 1, 2003 valuation (the last revaluation).
- There are currently over 400 units of condominiums and apartments under construction.

Public Buildings & Infrastructure

- *Road improvements.* The residents of the City of Norwich passed a bond referendum item in November 2006 for \$5 million of road improvements. The public works department has already administered \$2.5 million of road reconstruction and overlay during fiscal years 2006-07 and 2007-08. The City of Norwich has contracted approximately \$2.0 million dollars for the reconstruction and/or resurfacing of approximately eight miles of roadway. Construction will take place throughout the summer and early fall of 2008. Several high volume collector streets will be resurfaced, which will benefit many Norwich citizens.
- *Howard T. Brown Memorial Park Waterfront Rehabilitation* – The City of Norwich has contracted approximately \$1.7 million dollars for the replacement of a seawall and City-owned dock at Norwich Harbor. Construction is scheduled to begin in September 2008 and be completed in March 2009. This project will create a safer and more aesthetically pleasing waterfront recreation area. The project will be supported by \$1 million Connecticut Department of Economic & Community Development Urban Action Funds.
- *Clean Rivers, Clean Harbor, Sound Norwich.* Norwich Public Utilities is in the planning phase of a \$100 million project which is expected to take 15-20 years to complete. The project involves expansion and improvement to the wastewater treatment facilities, elimination of the 15 remaining combined sewer overflows (points at which the storm drain network combines with sewer mains), and upgrading the pumping stations. The project will be partially funded with state and federal grants and low-interest loan programs. The remainder of the cost will be covered by Sewer Capital Connection Fees and increases in

the sewer rates. These infrastructure improvements, if approved, will:

- Bring Norwich current with state and federal environmental mandates
- Upgrade the city’s aging wastewater infrastructure to reduce treatment plant odors
- Eliminate the discharge of untreated waste into local rivers during wet weather
- Reduce nitrogen from sewage discharge, making our rivers, harbor and Long Island Sound cleaner
- Power the sewer plant using recaptured methane gas, reducing Norwich’s energy costs
- Prepare Norwich to meet current growth and future business development needs.
- *Energy efficiency upgrades.* Norwich Public Utilities has identified opportunities for greater energy efficiency in the schools and other city-owned buildings. The city is making these improvements with funding from the Community Development Block Grant and the city’s Capital Improvement budget. In most cases, the improvements will pay for themselves in reduced energy costs within the first three years.
- *Fuel Management System with New Underground Storage Tanks* – The City of Norwich has contracted approximately \$180,000 for the replacement of the underground fuel storage tanks and the installation of a fuel management pump system at the City Public Works facility. The existing fuel storage tanks have shown no indications of leaking, however they are reaching the end of their expected service life – replacing them now is both fiscally and environmentally responsible. The fuel management system will bring about significant long-term energy savings by allowing our police and fire personnel to refuel at any time of the day and on weekends, thereby eliminating the need to refuel at retail fuel stations.
- *Municipal Area Network* – Norwich Public Utilities is constructing a network consisting of 32 miles of fiber optic cabling around the city in two “loops.” The cable will provide high-speed data, video and communications connectivity that is 600 times faster than any other data network available in Norwich. Some of the benefits include: the ability of NPU to quickly detect issues with its electric, water, natural gas and sewer infrastructure through its Supervisory Control and Data Acquisition (SCADA) system and the ability to link all city departments with unprecedented speed and reliability.
- *Three Rivers Community College* – On June 25, 2007, there was a groundbreaking ceremony at the New London Turnpike location of Three Rivers Community College to celebrate the start of a \$85.6 million, 295,644 square-foot project which is expected to be completed in 2009.
- *Kelly Middle School Renovations* – On November 6, 2007, Norwich voters approved \$40.2 million renovations and improvements to Kelly Middle School on Mahan Drive. The project will be funded by \$29.4 million of State of Connecticut School Construction Grants and \$10.8 million of 20-year city general obligation bonds. The project includes: adding classrooms, updating utilities, asbestos abatement, and adding an 800-seat auditorium.

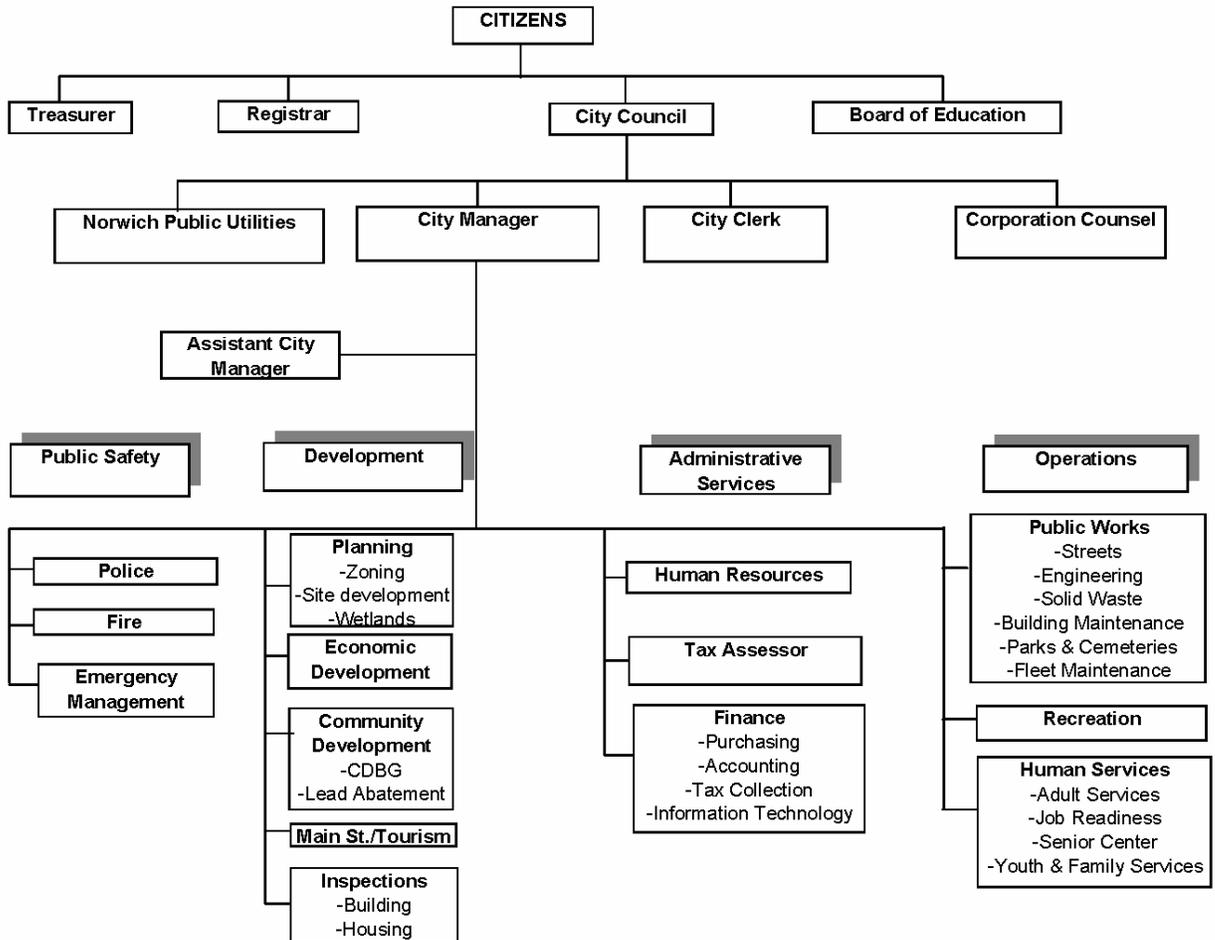
Principal City Officials

<u>Office</u>	<u>Name</u>	<u>Manner of Selection and Term</u>	<u>Length of Service</u>
City Council:			
Mayor	Benjamin P. Lathrop	Elected – 4 years	6 years
President Pro Tempore	Jonathan Jacaruso	Elected – 2 years	1 year
Aldersperson	Mark Bettencourt	Elected – 2 years	3 years
Aldersperson	Christopher Coutu	Elected – 2 years	1 year
Aldersperson	Peter Desaulniers	Elected – 2 years	1 year
Aldersperson	William Nash	Elected – 2 years	1 year
Aldersperson	Robert Zarnetske	Elected – 2 year	1 year
City Manager	Alan H. Bergren	Appointed – Indefinite	1 year
Assistant City Manager	Jennifer Gottlieb	Appointed – Indefinite	3 years
Comptroller	Joseph A. Ruffo	Appointed – Indefinite	21 years
Deputy Comptroller	Joshua A. Pothier	Appointed – Indefinite	5 years
City Treasurer	Brian M. Curtin	Elected – 2 years	2 years
Tax Collector	Kathy Daley	Appointed – Indefinite	10 years
Assessor	Charles Glinski	Appointed – Indefinite	30 years
City Clerk	Dee Anne Brennan	Appointed – Indefinite	30 years
Corporation Counsel	Michael E. Driscoll	Appointed – Indefinite	6 years
Superintendent of Schools	Pamela Aubin	Appointed – Indefinite	3 years

Source: City Officials.

Organizational Chart

City of Norwich Organization Chart



Summary of Municipal Services

Police: Police protection is provided to the City of Norwich by a full-service, municipal police agency with 100 employees. The department is responsible for patrolling 223 miles of roads in nearly a 30 square mile area and operating a combined 911 communications center for dispatching police, fire, and EMS services. The department is particularly proud of its community policing efforts, which actively includes the public in solving crime and quality of life problems. The Department presently administers approximately \$80,000 in Federal and State grants. These grants provide funding to enhance police operations in the areas of drug education and enforcement, safe neighborhood patrols, DUI and traffic enforcement, technological improvements.

Fire: Fire protection in the City Consolidation District (CCD) is provided by a 59-employee full-time fire department. The outlying areas of the city are not part of the CCD and are protected by five volunteer fire companies, all of which are connected to the central fire department's switchboard for emergency dispatch.

Utilities: The City of Norwich owns and operates its own gas, electric, water and wastewater systems through its Norwich Public Utilities ("NPU"). The NPU is governed by Chapter 12 of the City Charter that establishes a five-member Board of Public Utilities' Commissioners who are appointed by the City Council, the NPU has continually operated since its purchase in 1904. The General Manager, who is appointed by the Commissioners, is responsible for the management and operations of the NPU. The NPU has 139 employees and serves approximately 18,600 electric customers, 7,200 gas customers, 9,400 water customers and 5,700 wastewater customers. The NPU supports general city activities by contributing 10% of its gross revenues to the city's general fund. Contributions in fiscal year 2008-09 were equivalent to 4.02 mills of taxes. The NPU's budget is approved by the Commissioners and is then presented to the City Council for adoption. The NPU consists of three divisions: The Utility Operations Division, the Customer Service Division, and the Business Services Division. Each division has clearly defined goals that were developed as part of the current business plan.

The Utility Operations Division consists of electric operations and distribution, gas production and distribution, water treatment and distribution, and wastewater treatment and collection.

The City of Norwich is fortunate to have a water supply system that consists of a 10-mgd water filtration plant, and a 4-mgd water filtration plant, 4 reservoirs, one emergency supply well, and a fully accredited laboratory. Producing 1.8 billion gallons of water in fiscal year 2006-07, the NPU produces a yearly water quality report that indicates that the NPU consistently exceeds drinking water standards set by the State of Connecticut.

Wastewater is treated in an activated sludge treatment plant. See "Public Buildings and Infrastructure" herein. The Sewer Authority has worked closely with the city to secure funding to expand its wastewater collection system to neighborhoods that have seen the failure of private septic systems that affect residential property values. An extensive, multiyear combined sewer overflow program, funded through State grants and loans, has successfully eliminated most sewer system overflows, and greatly improved water quality in the Shetucket, Yantic and Thames Rivers.

The Customer Service Division provides leadership as customer advocates within NPU. The goal for the Customer Service Division is to provide a level of customer service that consistently exceeds customer expectations. Customer Service encompasses field services, metering, billing, the Customer Service Center, and external affairs. In an effort to promote one-stop shopping, customer service representatives and field service technicians have been cross-trained to serve customers more efficiently. Field service technicians are responsible for providing accurate metering for all services, investigating high bill complaints, and gas service calls. The NPU also provides rental hot water heaters, and repair service for gas appliances.

The Business Service Division includes human resources, purchasing, information technologies, accounting and financial planning. Business Services is also responsible for anticipating the changes in the utility business, and building an infrastructure that will position the NPU to take advantage of technological breakthroughs as they occur. This Division continually provides business support services that promote the NPU's mission strategies.

CMEEC AND MEMBER POWER SALES CONTRACTS

The City of Norwich is a member of the Connecticut Municipal Electric Energy Cooperative (CMEEC), a public corporation organized under Connecticut Public Act 75-634, subsequently enacted as Title 7-233, Chapter 101a, of

the General Statutes of Connecticut, as amended. It is empowered to undertake the planning, financing, acquisition, construction, and operation of facilities for the generation and transmission of electric power and energy for its members and others. The Act permits any Connecticut municipality that has an electric utility department to become a CMEEC member. The City of Norwich, the City of Groton, the Borough of Jewett City, the Second Taxing District of the City of Norwalk, the Third Taxing District of the City of Norwalk, and the Town of Wallingford are the only Connecticut communities which have municipally owned electric utilities. CMEEC, on behalf of its members and the Town of Wallingford (a non-member) acts as a single integrated participant to NEPOOL and the NEPOOL Agreement.

CMEEC has entered into a power supply contract with each of its Members, including Norwich ("Member Power Sales Contracts -- MPSC"). The MPSCs are all-requirements contracts under which each member is obligated to purchase substantially all its power requirements from CMEEC. Under terms of the MPSCs, each system has been allocated a certain percentage of CMEEC's fixed costs consisting primarily of debt service, on a take or pay basis. These costs are required to be paid annually whether or not Norwich takes any power under the contract. Pursuant to the MPSC, Norwich has covenanted to maintain electric rates which, together with other sources of revenue, will provide sufficient revenues to meet its payment obligation to CMEEC under the Power Contract.

All payments due to CMEEC under the MPSC are agreed to constitute operating expenses of the electric operations and may not be subordinated to any other obligation of Norwich. In addition, Norwich has agreed not to execute or adopt any instrument securing or issuing bonds, Bonds, leases or other evidences of indebtedness which are payable from and secured by liens on the revenues derived from the ownership or operations of its electric system without providing for the payment of operating expenses (including payments to be made under the MPSC) from such revenues ahead of debt service on such bonds, Bonds, leases or other evidence of indebtedness.

The foregoing discussion of the MPSC is intended to be a summary of such contract and is qualified in its entirety by reference to the contracts themselves, which may be obtained from the city.

SOLID WASTE

The City has entered into the Municipal Solid Waste Management Services Contract, as amended (the "Service Contract") with the Southeastern Connecticut Regional Resources Recovery Authority (the "SCRARRA") pursuant to which it participates with ten other central Connecticut municipalities (the eleven constituting the "Contracting Municipalities"), in the Southeastern Connecticut System (the "System"). The System consists of a mass-burn solid waste disposal and electric generation facility located in the Town of Preston (the "Facility") and various improvements and facilities related thereto, including landfills. The Facility is complete and is presently receiving waste from member municipalities. Under the Service Contract, the city is required to deliver or cause to be delivered to the System solid waste generated within its boundaries up to its minimum commitment of 23,000 tons per year and to pay a uniform per ton Disposal Service Payment (the "Service Payment") therefor. The Service Payment commitment is a "put-or-pay" commitment, in that if the aggregate minimum commitment of the Contracting Municipalities is not met by the total deliveries of all the Contracting Municipalities in any year, the city must pay the Service Payment for its full portion of the aggregate minimum commitment even if it did not deliver the full portion. The current fee is \$60 per ton paid by user fees. Pursuant to contracts between the Authority and American REF-FUEL Company of Southeastern Connecticut (the "Company"), the Facility is operated by the Company. The Service Payment applicable in any contract year is calculated by estimating the Net Cost of Operation, which is the Cost of Operation less Revenues other than Service Payments, as such items are defined in the Service Contract. Cost of Operations includes debt service on revenue bonds issued by or on behalf of the SCRARRA to finance the System and expenses of operation and administration of the System, among other things. Revenues means all revenues, income and receipts derived from the ownership and operation of the System, including from the sale of electricity. The sum of all Service Payments and other payments from the Contracting Municipalities are required to be sufficient to pay or provide for the Net Cost of Operations. Service Payments shall be payable so long as the System is accepting solid waste delivered by or on behalf of the city, whether or not such solid waste is processed at the Facility. The city's obligation to pay the Service Payment, so long as the Authority is accepting the city's solid waste, is absolute and unconditional, is not subject to any set-off, counterclaim, recoupment, defense (other than payment itself) or other right which the city may have against the SCRARRA or any person for any reason whatsoever, and shall not be affected by any defect in title, design, fitness for use, loss or destruction of the System. The city has pledged its full faith and credit to the payment of Service Payments and has also agreed to enforce or levy and collect all taxes, cost sharing or other assessments or charges and take all such other action as may be necessary to provide for the payment of the Service Payments.

City Employees

The following table illustrates the full-time equivalent employees for the current and the last five fiscal years:

Municipal Employees (Full-time Equivalents)

<u>Fiscal</u> <u>Year</u>	<u>General Government</u>	<u>Board of Education</u>	<u>Public Utilities</u>	<u>Total</u>
2009	309.00	598.20	139.50	1,046.70
2008	309.00	575.30	137.00	1,021.30
2007	299.50	575.40	137.00	1,011.90
2006	299.00	563.90	137.00	999.90
2005	302.00	548.00	137.00	987.00
2004	301.00	524.50	137.00	962.50

Source: City Officials.

Remainder of page intentionally left blank.

Municipal Employees Collective Bargaining Units

Collective Bargaining Group Name	Group Represented	Positions Represented	Beginning Date of Contract	End Date of Contract	
General Government					
International Brotherhood of Police Officers (IBPO), Local 38	City 911 Dispatchers	8	7/1/2007	6/30/2011	(2)
International Association of Fire Fighters, Local 892	City Firefighters	53	7/1/2007	6/30/2011	
Norwich City Hall Employees Association, Inc., Connecticut Independent Labor Union (CILU), Local #11	City Non-supervisory administrative employees	72	7/1/2007	6/30/2010	(2)
IBPO, Local 324 *	City Police Officers	80	7/1/2004	6/30/2007	(2)
CILU, Local #24	City Public Works Employees	50	7/1/2007	6/30/2010	
Public Works Supervisors, American Federation of State, County & Municipal Employees (AFSCME), Local 818, Council 4	City Public Works Supervisors	5	7/1/2005	6/30/2008	(2)
Municipal Employees Union "Independent" (MEUI)-Supervisors	City Supervisory administrative employees	12	7/1/2006		6/30/2009
	Subtotal	<u>280</u>			
Public Utilities					
Supervisory Employees Association , Inc. AFSCME Local 818, Council 4	NPU Supervisory and Professional Employees	35	7/1/2008	6/30/2011	
International Brotherhood of Electrical Workers Local 457, Norwich Unit	NPU Technical and clerical workers	96	7/1/2008	6/30/2011	(2)
United Steelworkers of America AFL-CIO-CLC Local No. 9411-02	NPU Water distribution employees	8	7/1/2008	6/30/2011	(2)
	Subtotal	<u>139</u>			
Board of Education					
Norwich School Administrators Association	NPS Administrators	17	7/1/2008	6/30/2012	
MEUI Local 506, SEIU, AFL-CIO	NPS Custodians	28	7/1/2006	6/30/2009	
Teamsters Local Union No. 493	NPS Maintainers	3	7/1/2007	6/30/2010	
MEUI Local 506, SEIU, AFL-CIO	NPS Paraeducators	92	7/1/2005	6/30/2009	
New England Health Care Employees Union District 1199, SEIU, AFL-CIO	NPS School Nurses	16	7/1/2005	6/30/2009	
Norwich Educational Secretaries, AFSCME Local 1303-190, Council 4	NPS Secretaries	27	7/1/2004	6/30/2010	
Norwich Teachers League	NPS Teachers	290	7/1/2008	6/30/2012	
	Subtotal	<u>473</u>			
Non-Bargaining Employees					
General Government		13			
Department of Public Utilities		1			
Board of Education		163			
	Subtotal	<u>177</u>			
	GRAND TOTAL	<u><u>1,068</u></u>			

**On March 10, 2006, the police officers voted to switch representation from IBPO to United Public Service Employees Union, Connecticut Organization for Public Safety Division.*

(1) Connecticut General Statutes Sections 7-473c, 7-474 and 10-153a to 10-153n provide for a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certificated teachers and certain other employees. The legislative body of a municipality may reject an arbitration panel's decision by a two-thirds majority vote. The State and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives 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. Effective October 1, 1997, for binding arbitration of teacher's contracts, in assessing the financial capability of a town, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any item subject to arbitration. In light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

(2) Currently in negotiation

Source: City of Norwich, Finance Department

School Facilities

The City's school system consists of ten schools for pupils in grades pre-K through 12. The schools are governed by a nine-member Board of Education.

<u>School</u>	<u>Grades</u>	<u>Date of Construction</u>	<u>Number of Classrooms</u>	<u>10/1/2008 Enrollment</u>	<u>Rated City Capacity</u>
Bishop School	PreK-5	1925	11	173	220
Administration Building		1893	N/A	N/A	N/A
Greenville School	PreK – 5	1956	18	325	400
Hickory Street School	7-12	1890	4	13	50
Stanton School	PreK-5	1956	23	389	440
Moriarty School	PreK-5	1975	33	431	620
Kelly School	6-8	1962	45	677	1,170
Thames River Academy	9-12	1956	9	90	310
Deborah Tennant-Zinewicz School	7-12	1975	5	47	70
Huntington School	PreK-5	1928	18	378	450
Teachers School	6-8	1975	30	471	760
Mahan School	PreK-5	1968	17	289	320
Uncas School	PreK-5	1975	18	178	340
Veterans School	PreK-5	1968	17	234	320
Wequonnoc School	PreK-5	1962	<u>17</u>	<u>225</u>	<u>340</u>
Total			265	3920	5,810

Source: City of Norwich, Board of Education

School Enrollment

<u>Fiscal Year</u>	<u>K – 5</u>	<u>6 - 8</u>	<u>9 - 12</u>	<u>Special Education</u>	<u>Total</u>	<u>NFA⁽¹⁾ 9-12 Enrollment</u>
Historical						
1998-1999	2,846	809	63	192	3,910	1,241
1999-2000	2,786	809	62	176	3,833	1,286
2000-2001	2,371	1,210	60	198	3,839	1,221
2001-2002	2,454	1,209	98	244	4,005	1,414
2002-2003	2,452	1,187	74	345	4,058	1,431
2003-2004	2,415	1,199	48	323	3,985	1,522
2004-2005	2,383	1,176	84	215	3,858	1,567
2005-2006	2,965	782	85	213	4,045	1,355
2006-2007	2,766	865	75	255	3,961	1,378
2007-2008	2,806	847	80	258	3,991	1,377
2008-2009	2,536	780	108	337	3,709	1,698
Projected						
2009-2010	2,484	780	108	337	3,709	1,698
2010-2011	2,696	782	108	300	3,886	1,717

Source: City of Norwich, Board of Education

- **Population Trends**
- **Age Distribution of the Population**
- **Income Distribution**
- **Income Levels**
- **Educational Attainment**
- **Major Employers**
- **Employment by Industry**
- **Employment Data**
- **Age Distribution of Housing**
- **Housing Inventory**
- **Owner-Occupied Housing Values**
- **Building Permits**

ECONOMIC AND DEMOGRAPHIC DATA

Population Trends

<u>Year</u>	<u>City of Norwich</u>	<u>New London County</u>	<u>State of Connecticut</u>
2000	36,117	259,088	3,405,565
1990	37,391	254,957	3,287,116
1980	38,074	238,409	3,107,576
1970	41,333	230,654	3,032,217
1960	38,506	185,745	2,535,234

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

Age Characteristics of Population - 2007

	<u>City of Norwich</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 18	8,417	22.6%	820,606	23.1%
18 - 24	3,597	9.7%	332,254	9.4%
25 - 49	12,996	34.9%	1,223,861	34.5%
50 - 64	6,453	17.3%	683,396	19.3%
65 and over	<u>5,804</u>	<u>15.6%</u>	<u>489,489</u>	<u>13.8%</u>
Total	<u>37,267</u>	<u>100.0%</u>	<u>3,549,606</u>	<u>100.0%</u>
Median Age (years)	36.9		39.1	

Income Distribution

	<u>City of Norwich</u>		<u>State of Connecticut</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
\$0 - \$9,999	485	5.3%	33,423	3.8%
10,000 - 14,999	394	4.3	23,593	2.7
15,000 - 24,999	973	10.6	63,262	7.1
25,000 - 34,999	1,139	12.4	75,413	8.5
35,000 - 49,999	1,691	18.4	120,134	13.6
50,000 - 74,999	2,242	24.4	198,924	22.5
75,000 - 99,999	1,211	13.2	141,981	16.0
100,000 - 149,999	790	8.6	132,177	14.9
150,000 - 199,999	128	1.4	42,472	4.8
200,000 and over	119	1.3	<u>54,368</u>	<u>6.1</u>
Totals	9,172	100.0	885,747	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000.

Income Levels

	<u>City of Norwich</u>	<u>State of Connecticut</u>	<u>United States</u>
Per Capita Income 2000	\$20,742	\$40,640	\$29,676
Median Family Income 2000	49,155	64,502	51,751
Median Household Income 2000	39,181	53,108	42,148

Source: U.S. Department of Commerce, Bureau of Census, 2000

Educational Attainment

Years of School Completed Age 25 and Over

	<u>City of Norwich</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9th grade	1,925	8.0%	132,917	5.8%
9th to 12th grade	3,033	12.5	234,739	10.2
High School graduate	8,315	34.5	653,300	28.5
Some college, no degree	4,847	20.1	402,741	17.5
Associate's degree	1,447	6.0	150,926	6.6
Bachelor's degree	2,588	10.7	416,751	18.2
Graduate or professional degree	1,970	8.2	304,243	13.2
Totals	24,125	100.0%	2,295,617	100.0%
Total high school graduate or higher (%)		79.5%		84.0%
Total bachelor's degree or higher (%)		18.9%		31.4%

Source: U.S. Department of Commerce, Bureau of Census, 2000.

Major Employers

Estimates as of December 2007

<u>Employer</u>	<u>Nature of Business</u>	<u>Estimated Number of Employees</u>
State of Connecticut	All State agencies	1,100
City of Norwich (incl. NPU & BOE)	Municipality	1,020
William W. Backus Hospital	Medical Center	932
Bob's Discount Furniture	Retail Store & Warehouse	446
ShopRite Norwich	Grocery Store	418
Interim Healthcare of Eastern CT	Healthcare	400
Computer Science Corporation	Computer Products & Services	330
Norwich Free Academy	Quasi-private High School	261
US Foodservice	Food Distributors	205
Stop & Shop	Grocery Store	178

Source: Survey of local businesses by Finance Department

Employment By Industry

Sector	City of Norwich		State of Connecticut	
	Number	Percent	Number	Percent
Agriculture, forestry, fishing, hunting and, mining	5	-%	7,445	0.4%
Construction.....	931	6.4	99,913	6.0
Manufacturing	2,106	14.6	246,607	14.8
Wholesale Trade	549	3.8	53,231	3.2
Retail Trade.....	2,107	14.6	185,633	11.2
Transportation and warehousing, and utilities information	884	6.1	64,662	3.9
Finance, insurance, real estate, and rental and leasing.....	407	2.8	55,202	3.3
Professional, scientific, management, administrative, and waste management services	994	6.9	163,568	9.8
Educational, Health, and Social Services	1,102	7.6	168,334	10.1
Arts, entertainment, recreation, accommodation, and food services.....	3,271	22.6	366,568	22.0
Other services (except public administration)	790	5.5	111,424	6.7
Public Administration	737	5.1	74,499	4.5
Total Labor Force, Employed	577	4.0	67,354	4.0
	14,460	100.0%	1,664,440	100.0%

Source: U.S. Department of Commerce, Bureau of Census, 2000.

Employment Data

Period ¹	City of Norwich		Percentage Unemployed		
	Employed	Unemployed	City of Norwich	Norwich - New London Labor Market ¹	State of Connecticut
September 2008	19,706	1,448	6.8%	6.0%	5.9%
Annual Averages					
2007	19,817	1,055	5.1	4.3	4.6
2006	19,811	1,029	5.0	4.2	4.4
2005	19,348	1,103	5.4	4.5	4.9
2004	19,001	1,118	5.6	4.5	4.9
2003	19,008	1,232	6.1	4.9	5.5
2002	18,788	925	4.7	3.9	4.4
2001	14,784	500	3.3	2.8	3.3
2000	15,087	374	2.4	2.3	2.2

¹ Not seasonally adjusted.

Source: Department of Labor, State of Connecticut.

Age Distribution Of Housing

Year Built	City of Norwich		State of Connecticut	
	Units	Percent	Units	Percent
1939 or earlier	7,412	44.6%	308,896	22.3%
1940 to 1969	4,707	28.3	571,218	41.2
1970 to 1979	1,725	10.4	203,377	14.7
1980 to 1989	1,984	12.0	183,405	13.2
1990 to March 2000	772	4.7	119,079	8.6
Total housing units, 2000	16,600	100.0%	1,385,975	100.0%

Source: U.S. Department of Commerce, Bureau of Census, 2000.

Housing Inventory

Type	City of Norwich		State of Connecticut	
	Units	Percent	Units	Percent
1 unit detached	7,458	63.8%	816,706	58.9%
1-unit attached	600	5.1	71,185	5.1
2 to 4 units	1,228	10.5	246,617	17.8
5 to 9 units	849	7.3	76,836	5.6
10 or more units	1,541	13.1	162,437	11.7
Mobile home, trailer, other	22	0.2	12,194	0.9
Total Inventory	11,698	100.0%	1,385,975	100.0%

Source: U.S. Department of Commerce, Bureau of Census, 2000.

Owner-Occupied Housing Values

Specified Owner-Occupied Units	City of Norwich		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000.....	70	1.0	5,996	0.8
\$50,000 to \$99,999.....	1,253	18.0	85,221	11.7
\$100,000 to \$149,999.....	3,892	56.0	212,010	29.1
\$150,000 to \$199,999.....	1,367	19.7	156,397	21.5
\$200,000 to \$299,999.....	297	4.3	137,499	18.9
\$300,000 to \$499,999.....	48	0.7	79,047	10.9
\$500,000 to \$999,999.....	5	0.1	38,168	5.2
\$1,000,000 or more	13	0.2	13,906	1.9
Totals	6,945	100.00	728,244	100.0%

Source: U.S. Department of Commerce, Bureau of Census, 2000.

Building Permits

Calendar Year	Residential		Commercial	Industrial		Other		Total	
2008 ⁽¹⁾	1,567	12,637,288	269	3	23,360	42	1,966,893	1,881	28,949,832
2007	1,779	25,968,385	295	--	---	19	499,450	2,093	52,777,719
2006	1,545	23,456,782	250	1	1,500	4	850,000	1,800	66,166,704
2005	1,775	34,060,390	262	1	200	9	4,650	2,047	55,381,188
2004	1,694	45,593,530	193	7	827,530	24	3,115,550	1,918	65,541,034
2003	1,342	19,089,299	270	6	2,785,000	24	1,294,840	1,642	38,265,131
2002	1,401	13,356,824	253	7	474,750	15	309,100	1,676	26,105,348
2001	1,049	7,823,231	244	13	4,597,297	35	1,878,841	1,341	23,810,290
2000	1,084	14,620,476	443	13	601,575	41	930,620	1,581	25,639,434
1999	1,044	6,453,551	250	9	3,033,500	59	12,300,487	1,362	32,090,303

1. Through October 31, 2008.

Source: Building Official, City of Norwich

TAX BASE DATA

- **Property Tax**
- **Property Tax Assessments**
- **Property Tax Levy**
- **Taxable Grand List**
- **Taxable Grand List and Tax Collections**
- **Ten Largest Taxpayers**

TAX BASE DATA

Property Tax

Property Tax Assessment

Section 12-62 et. seq. of the Connecticut General Statutes govern real property assessments and establish the revaluation cycle for Connecticut municipalities of a revaluation every five years and, generally, a physical inspection every ten years. Section 12-62 also imposes a penalty on municipalities that fail to effect revaluations as required, with certain exceptions. However, the statute permits the phase-in of a real property assessment increase resulting from a revaluation over a period of up to five years. The maintenance of an equitable tax base by locating and appraising all real and personal property within the City for inclusion on the Grand List is the responsibility of the Assessor's Office. The Grand List represents the total assessed values for all taxable and tax exempt real estate, taxable personal property, and motor vehicles located within the City as of October 1. Assessments for real and personal property are computed at seventy percent (70%) of the market value at the time of last revaluation, and at 70% of the annual approval of Motor Vehicles by the Office of Policy and Management. Grand List information is used by municipalities to set the mill rate which in turn becomes the basis for the City's annual tax levy. Any property owner may seek to appeal its assessment by filing a written appeal to a City's Board of Assessment Appeals. The Board of Assessment Appeals elects to hear such appeals and determines whether adjustments to the Assessor's list relating to assessments under appeal are warranted. Under Connecticut law, taxpayers who are dissatisfied with a decision by a City's Board of Assessment Appeals may appeal the decision to the Connecticut Superior Court.

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

Motor vehicle lists are furnished to municipalities by the State of Connecticut Department of Motor Vehicles and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule developed by the Connecticut Association of Assessing Officials and as recommended by the State Office of Policy and Management. Section 12-71b of The Connecticut General Statutes provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date are subject to property tax as follows: 1) vehicles registered subsequent to October 1 but prior to the following August 1, are subject to a prorated tax based on the period of time from the date of registration until the following October 1; 2) vehicles purchased in August and September are not taxed until the next October 1 Grand List. With respect to replacement vehicles (as compared to additional vehicles) Section 12-71b provides for similar prorating of taxes on the new vehicle and a credit with respect to taxes due on the replaced vehicle during the assessment year.

All commercial personal property (furniture, fixtures, equipment, machinery and leased equipment) is assessed annually. An assessor's check and audit is completed periodically. Assessments for both personal property and motor vehicles are computed at seventy percent (70%) of present market value.

Section 12-124a of the Connecticut General Statutes permits a municipality, upon approval by its legislative body, to abate property taxes on owner-occupied residences to the extent that the taxes exceed eight percent of the owner's total income, from any source, adjusted for self-employed persons to reflect expenses allowed in determining adjusted gross income. The owner must agree to pay the amount of taxes abated with interest at 6% per annum, or at such rate approved by the legislative body, at such time that the residence is sold or transferred or on the death of the last surviving owner. A lien for such amounts is recorded in the land records but does not take precedence over any mortgage recorded before the lien.

Public Act 06-176 permits a municipality upon approval by its legislative body to freeze the property taxes due for certain low-income elderly residents. Any municipality providing such property tax relief may place a lien upon such property in the amount of total tax relief granted plus interest.

Property Tax Levy

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 and personal property taxes are generally payable in **two** installments on July 1 **and January 1**, except that real and personal property taxes under \$100 are payable in one installment on July 1. Motor vehicle tax bills are payable in July and motor vehicle supplemental bills are payable in January. A margin against delinquencies, legal reductions, and Grand List adjustments, such as Assessor errors, is provided by adjusting the Grand List downward when computing anticipated property tax revenue from the current levy. An estimate for delinquent taxes and outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Delinquent taxes are billed at least four times a year with interest charged at the rate of one and one-half percent per month with a minimum charge of \$2. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are automatically liened 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 tax accounts are transferred to a suspense account when collection appears unlikely at which time they cease to be carried as receivables by the City, although they remain collectible. Tax accounts unpaid fifteen years after the due date are not collectible in accordance with state statutes.

Taxable Grand List

The following table sets forth the City’s taxable grand list by component:

Fiscal Year Ended June 30	Grand List Year October 1	Real Estate		Personal Property		Total Assessed Value	Less Exemptions	Total Taxable Assessed Value
		Industrial/Commercial	Residential	Motor Vehicles	Other			
2009	2007	345,267,000	1,235,842,800	184,571,140	112,169,675	1,877,850,615	24,528,310	1,853,322,305
2008	2006	341,359,800	1,225,489,388	183,185,660	92,878,143	1,842,912,991	23,383,850	1,819,529,141
2007	2005	326,636,000	1,213,922,970	177,322,860	93,705,966	1,811,587,796	19,837,950	1,791,749,846
2006	2004	326,235,000	1,190,123,100	165,690,170	90,463,118	1,772,511,388	27,324,930	1,745,186,458
2005	2003	408,784,131	1,095,365,650	153,491,848	100,569,687	1,758,211,316	24,916,080	1,733,295,236
2004	2002	273,990,638	679,020,277	154,864,274	83,388,455	1,191,263,644	25,168,000	1,166,095,644
2003	2001	270,107,974	669,398,023	152,669,725	82,206,775	1,174,382,497	28,500,430	1,145,882,067
2002	2000	266,090,373	665,459,754	152,218,658	85,345,330	1,169,114,115	27,570,100	1,141,544,015

Taxable Grand List and Tax Collections (Unaudited)

Fiscal Year Ended June 30	Mill Rate	Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		
			Amount	Percentage		Amount	Percentage	
General Fund								
2008	28.57	51,980,360	50,213,269	96.60%	-	50,213,269	96.60%	
2007	27.77	49,972,990	48,323,538	96.70%	1,004,744	49,328,282	98.71%	
2006	26.72	46,541,197	44,977,469	96.64%	1,160,564	46,138,033	99.13%	
2005	25.69	43,998,693	42,680,930	97.00%	1,264,795	43,945,725	99.88%	
2004	36.47	42,773,755	41,136,220	96.17%	1,604,514	42,740,734	99.92%	
City Consolidated District (CCD) Fire Tax								
2008	4.75	3,064,455	2,930,076	95.61%	-	2,930,076	95.61%	
2007	4.25	2,723,851	2,595,428	95.29%	84,608	2,680,036	98.39%	
2006	4.03	2,510,993	2,398,768	95.53%	81,848	2,480,616	98.79%	
2005	3.84	2,332,209	2,232,779	95.74%	94,336	2,327,115	99.78%	
2004	5.64	2,226,860	2,141,608	96.17%	81,523	2,223,131	99.83%	
Town Consolidated District (TCD) Volunteer Fire Relief Tax								
2008	0.36	424,146	410,608	96.81%	-	410,608	96.81%	
2007	0.31	360,641	350,906	97.30%	5,593	356,499	98.85%	
2006	0.30	337,005	325,517	96.59%	9,017	334,534	99.27%	
2005	0.21	232,120	225,699	97.23%	6,271	231,970	99.94%	
2004	0.30	233,404	224,468	96.17%	8,862	233,330	99.97%	

Source: Tax Collector's Office, City of Norwich.

Ten Largest Taxpayers

Name of Taxpayer	Nature of Business	Assessed Value	Percent of Net Taxable Grand List¹
Computer Science Corporation	Computer Products and Services	24,228,140	1.35%
Bob's Discount Furniture	Retail Store and Distribution Center	21,708,480	1.21%
Freeport-McMoran Copper & Gold (fka Phelps Dodge)	Manufacturing – Copper	14,261,890	0.80%
SEA Norwich LLC	Shopping Center	11,717,000	0.65%
Plaza Enterprises	Shopping Center	10,577,000	0.59%
Mashantucket Pequot Tribe	Real Estate	9,032,940	0.50%
Kalamian Elias as Trustee	Apartments	8,138,000	0.45%
US Foodservice	Food Distributors	7,952,410	0.44%
Norwich Community Development Corp.	Mercantile Exchange Office Building	7,239,000	0.40%
IBM, Inc.	Equipment Leasing	6,859,030	0.38%
		\$121,713,890	6.79%

(1) The October 1, 2007 grand list was the base grand list utilized for the tax bills issued July 1, 2008 for the 2009 fiscal year.

Source: City of Norwich Assessor's Office.

FINANCIAL INFORMATION

- **Fiscal Year**
- **Basis of Accounting and Accounting Policies**
- **Budgetary Procedures**
- **Annual Audit**
- **Pension Plans**
- **Other Post Employment Benefits**
- **Investment Policies and Practices**
- **General Fund Revenue and Expenditures**

FINANCIAL INFORMATION

Fiscal Year

The City's fiscal year begins July 1 and ends June 30.

Basis of Accounting and Accounting Policies

The financial statements of the City of Norwich, Connecticut have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Please refer to Appendix A "Bonds to Financial Statements" herein for compliance and implementation details.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues.

The new reporting model includes the following segments:

Management's Discussion and Analysis provides introductory information on basic financial statements and an analytical overview of the City's financial activities.

Government-wide financial statements - consist of a statement of net assets and a statement of activities, which are prepared on the accrual basis of accounting. These statements distinguish between governmental activities and business-type activities and exclude fiduciary (employee retirement system and agency funds). Capital assets, including infrastructure and long-term obligations are included along with current assets and liabilities.

Fund financial statements - provide information about the City's governmental, proprietary and fiduciary funds. These statements emphasize major fund activity and, depending on the fund type, utilize different basis of accounting.

The general fund is the general operating fund of the City government. All unrestricted resources, except those required to be accounted for in another fund, are accounted for in this fund. From this fund are paid general operating expenditures, fixed charges, principal and interest on long-term debt and capital improvement costs of the City, which were not paid through a special fund.

The City reports the following major proprietary funds:

Sewer-Use, Sewer Assessment and Street Extension funds account for the activities of the Water Pollution Control Authority. It is independent in terms of its relationship to other City functions. Its operations are financed from special assessments and direct charges to the users of the service. The Authority operates the sewage pumping stations and collection systems.

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

Internal Service funds account for general insurance, medical insurance and workers' compensation insurance provided to other departments or agencies of the government.

Agency funds account for monies held as a custodian for outside groups and agencies.

Required supplementary information - in addition to the MD&A, budgetary comparison schedules are presented for the General Fund.

Please refer to Appendix A under "Bonds to Financial Statements" herein for measurement focus and basis of accounting of the government-wide financial statements of the City of Norwich.

Budgetary Procedures

The City of Norwich adheres to the following procedures in establishing the budgetary data reported in the financial statements for the general fund. On or before the first Monday in April, the City Manager submits to the City Council a proposed operating budget for the year commencing the following July 1. Before the third Monday in April, the City Council holds a Public Hearing on the City Manager's proposed budget. On or before the second Monday in May, the City Council tentatively adopts a budget. The City Council holds a second Public Hearing on or before the third Monday in May. No later than the second Monday in June, the City Council adopts a budget for the next fiscal year.

Annual Audit

Pursuant to Connecticut Law, the City is required 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 the report must be filed with such Office within six months of the end of the fiscal year. For the fiscal year ended June 30, 2007, the examination was conducted by the firm of Blum, Shapiro & Company, P.C. independent certified public accountants, of West Hartford, Connecticut.

Pension Plans

The City of Norwich is the administrator of the City's Consolidated Pension Plan, a single-employer contributory defined benefit public employee retirement system (PERS) established and administered by the City to provide pension benefits to all full-time non-certified employees. The Plan is considered to be part of the City of Norwich's financial reporting entity and is included in the City's financial reports as a pension trust fund. The plan does not issue a stand-alone report. The City is committed to funding 100% of the annual required contribution (ARC).

The City of Norwich is also the administrator of a Volunteer Firefighters' Relief Plan which was established to provide pension benefits to volunteers. The Plan is considered to be part of the City of Norwich's financial reporting entity and is included in the City's financial reports as a pension trust fund. The plan does not issue a stand-alone report. The City is committed to funding 100% of the ARC for the Volunteer Firefighters' Relief Plan.

Teachers within the City's school system participate in a retirement plan administered by the Connecticut State Teachers' Retirement Board.

For further details on the plans, please refer to Appendix A, under "Notes to Financial Statements" herein.

Other Post Employment Benefits

The City and the Board of Education provide post-employment benefits for retirees who meet certain requirements regarding age and years of service. This benefit is provided based on Union Agreements and is fully funded by the City. The City is required to provide health, medical and life insurance to 422 retired City and Board of Education employees. The City's actuarial firm, Hooker & Holcombe, Inc., estimates the City's actuarial OPEB liability at \$47 million with an ARC of \$5.3 million. The City has committed to phase in the ARC over a period of 5 years. Under this plan, starting with fiscal year 2012-2013, the City will be paying 100% of the ARC. The City has by ordinance established an OPEB Trust to receive and hold City appropriations to meet its OPEB liabilities for the sole benefit of its retirees.

Investment Policies and Practices

The City Charter and Sections 7-400 and 7-402 of the Connecticut General Statutes govern the investments the City is permitted to acquire. Generally, the City may invest in certificates of deposit, repurchase agreements, municipal Bonds and Bonds, obligations of the United States of America, including joint and several obligations of the Federal Home Loan Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the Federal Home Loan Banks, all Federal Land Banks, the Tennessee Valley Authority, or any other agency of the United States government, and money market mutual funds.

The investment practices of the City of Norwich are in compliance with the Connecticut General Statutes.

General Fund Revenues and Expenditures

	UNAUDITED 2007-08	Actual 2006-07	Actual 2005-06	Actual 2004-05	Actual 2003-04	Actual 2002-03
REVENUES						
Property Taxes	\$52,374	\$49,920	\$46,826	\$44,964	\$43,314	\$41,487
Intergovernmental Revenue	39,467	38,859	37,751	36,185	34,357	35,200
Charges for services	1,980	3,032	3,334	3,586	1,430	1,011
Licenses, permits and fees	724	906	885	614	477	515
Investment income	978	920	682	390	262	325
Other	792	1,235	895	6,069	8,205	8,492
Total Revenues	\$96,315	\$94,872	\$90,373	\$91,808	\$88,045	\$87,030
EXPENDITURES						
General Government	\$5,326	\$5,409	\$5,014	\$4,879	\$4,588	\$4,658
Public Safety	11,833	10,682	9,608	9,048	8,295	8,244
Social Services	2,233	2,089	1,965	1,815	1,863	2,316
Public Works	7,212	8,873	8,902	8,814	8,578	6,798
Education	64,586	62,507	59,246	56,267	52,582	51,195
Other	5,153	4,286	3,526	3,448	3,940	5,470
Capital Outlay	0	0	0	0	0	0
Debt Service	5,247	5,041	5,606	5,495	6,178	6,652
Total Expenditures	\$101,590	\$98,887	\$93,867	\$89,766	\$86,024	\$85,333
OTHER FINANCING SOURCES (USES)						
Transfers In	\$7,290	\$7,173	\$6,286	\$1,226	\$1,352	1,215
Transfers (Out)	-2,965	-2,371	-2,474	-2,014	-2,805	-2,283
Other					73	0
Total Sources (Uses)	\$4,325	\$4,802	\$3,812	(\$788)	(\$1,380)	(\$1,068)
Revenues and other financing sources (under) expenditures	-950	787	318	1,254	641	629
Fund Balance, July 1,	\$12,076	\$11,289	\$10,971	\$9,717	\$9,076	\$8,447
Fund Balance, June 30	\$11,126	\$12,076	\$11,289	\$10,971	\$9,717	\$9,076

DEBT SUMMARY

- **Principal Amount of Indebtedness**
- **Annual Bonded Maturity Schedule**
- **Overlapping/Underlying Debt**
- **Debt Statement**
- **Current Debt Ratios**
- **Bond Authorization**
- **Temporary Financing**
- **Limitation of Indebtedness**
- **Statement of Statutory Debt Limitation**
- **Authorized but Unissued Debt**

DEBT SUMMARY

Principal Amount of Indebtedness

As of December 30, 2008

General Purpose

<u>Date of Issue</u>	<u>Purpose</u>	<u>Original Issue Amount Allocated to Purposes</u>	<u>Debt Outstanding as of 12/30/2008</u>	<u>Rate</u>	<u>Maturity</u>
July 1, 1995	Economic Development	1,000,000	320,025	6.00%	2012
April 01, 2001	Refunding	\$10,835,000	\$5,895,000	4.00-5.00%	2014
April 01, 2001	Wauregan Hotel Project	400,000	225,000	5.50-6.75%	2017
April 15, 2002	General Purpose	3,275,000	1,860,000	4.00-5.25%	2022
April 15, 2004	General Purpose, Series A	950,000	422,500	2.00-3.55%	2015
March 15, 2005	General Purpose, Series A	2,210,000	1,547,000	2.25-3.60%	2015
March 15, 2005	Refunding, Series B	<u>5,135,000</u>	<u>2,132,090</u>	3.00-5.00%	2019
		\$25,935,000	\$12,401,615		

Schools

<u>Date of Issue</u>	<u>Purpose</u>	<u>Original Issue Amount Allocated to Purposes</u>	<u>Debt Outstanding as of 12/30/2008</u>	<u>Rate</u>	<u>Maturity</u>
April 01, 2001	Schools Code Compliance Refunding	\$2,175,000	\$1,050,000	4.00-5.00%	2014
April 15, 2004	Schools Refunding, Series B	2,500,000	1,761,940	2.00-4.00%	2019
March 15, 2005	School Technology and Projects Refunding	5,865,000	3,945,388	4.00-5.00%	2019
December 30, 2008	Qualified Zone Academy Projects	<u>2,940,000</u>	<u>2,940,000</u>	0.00%	2020
		\$13,480,000	\$9,697,328		

Water & Sewer

<u>Date of Issue</u>	<u>Purpose</u>	<u>Original Issue Amount Allocated to Purposes</u>	<u>Debt Outstanding as of 12/30/2008</u>	<u>Rate</u>	<u>Maturity</u>
April 15, 2002	Sewers	\$2,745,000	\$1,905,000	4.00-5.00%	2014
April 15, 2004	Sewer and Water, Series A	2,170,000	1,517,500	2.00-3.55%	2015
April 15, 2004	Sewer Refunding, Series B	3,045,000	1,838,060	2.00-5.00%	2019
March 15, 2005	Refunding of Stony Brook Reservoir	3,260,000	1,937,522	3.00-4.00%	2015
March 15, 2005	Sewer and Water, Series A	1,310,000	908,000	4.00-5.00%	2019
October 31, 1997	Clean Water Act 106-C	3,410,000	1,500,387	2.00%	2016
June 30, 2000	Clean Water Act 298-C	1,508,000	797,963	2.00%	2019
December 31, 2002	Clean Water Act 349-C	881,000	605,814	2.00%	2021
December 31, 2002	Clean Water Act 9714-C	<u>1,899,000</u>	<u>1,332,773</u>	2.77%	2021
		\$20,228,000	\$12,343,019		

TOTAL:

\$59,643,000 **\$34,441,962**

Short Term Debt

Project	Amount Authorized	Notes Maturing on 12/16/09
Demolition	\$100,000	\$100,000
Dog Pound planning, acq. and const.	610,000	610,000
Taftville VFD Ladder Truck	740,000	740,000
Fire apparatus (2 pumpers)	800,000	800,000
Road Improvement Program	5,000,000	5,000,000
Public Safety	795,000	795,000
TOTAL	\$8,045,000	\$8,045,000

Annual Bonded Debt Maturity Schedule

As of December 30, 2008

(Pro Forma)

Fiscal Year Ending 6/30	Principal	Interest	Total	This Issue	Cumulative Percent Retired
2009	\$2,855,175	\$572,793	\$3,427,969	-	8.29%
2010	3,741,503	1,033,189	4,774,692	\$230,000	19.82%
2011	3,672,798	903,271	4,576,068	250,000	31.21%
2012	3,584,514	772,548	4,357,062	250,000	42.34%
2013	3,586,672	638,732	4,225,404	245,000	53.47%
2014	3,491,936	503,098	3,995,034	245,000	64.32%
2015	2,429,498	370,515	2,800,014	245,000	72.08%
2016	2,197,235	285,375	2,482,610	245,000	79.17%
2017	1,522,646	217,548	1,740,194	245,000	84.31%
2018	1,373,527	161,042	1,534,569	245,000	89.01%
2019	1,267,578	108,168	1,375,746	245,000	93.40%
2020	991,338	59,775	1,051,112	245,000	96.99%
2021	435,604	31,058	466,662	250,000	98.98%
2022	351,937	13,894	365,831	-	100.00%
Totals	\$31,501,962	\$5,671,006	\$37,172,968	\$2,940,000	

Overlapping/Underlying Debt

The City has no overlapping or underlying indebtedness.

Debt Statement¹

As of December 30, 2008

(Pro Forma)

LONG TERM DEBT

Bonds

General Purpose	\$12,401,615
Schools	9,697,328
Water and Sewer Bonds	<u>12,343,019</u>
TOTAL LONG TERM DEBT.....	\$34,441,962

TOTAL DIRECT DEBT

TOTAL DIRECT DEBT	\$34,441,962
Less:	
State School Construction Grants Receivable ²	722,000
Self-Supporting Bonds	<u>4,556,962</u>
TOTAL DIRECT NET DEBT.....	\$29,163,000
OVERLAPPING/UNDERLYING DEBT	<u>0</u>
TOTAL NET DIRECT DEBT.....	\$29,163,000

¹ Excludes capital leases

² Represents State of Connecticut school construction grants applicable to prior bond issues. See "School Projects" herein.

Current Debt Ratios

As of December 30, 2008

(Pro Forma)

Population ¹	36,408
Net Taxable Grant List – 10/1/07 @70% of full value.....	\$1,853,322,305
Estimated Full Value	\$2,647,603,293
Equalized Net Taxable Grand List - 2005 ²	\$3,592,741,013
Money Income per Capita - 2000 ³	\$20,742

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
	<u>\$34,441,962</u>	<u>\$29,163,000</u>	<u>\$29,163,000</u>
Per Capita	\$946.00	\$801.01	\$801.01
Ratio to Net Taxable Grand List.....	1.86%	1.57%	1.57%
Ratio to Estimated Full Value.....	1.30%	1.10%	1.10%
Ratio to Equalized Grand List	0.96%	0.81%	0.81%
Debt per Capita to Money Income per Capita	4.56%	3.86%	3.86%

¹ State of Connecticut Department of Health Estimate, July 1, 2006

² Office of Policy and Management, State of Connecticut

³ U.S. Department of Commerce, Bureau of Census, 2000

Bond Authorization

The City of Norwich has the power to incur indebtedness by issuing its bonds or Bonds as authorized by the General Statutes of the State of Connecticut subject to statutory debt limitations and the procedural requirements of the City Charter. The issuance of bonds and Bonds is authorized by the City Council.

Temporary Financing

When general obligation bonds have been authorized, bond anticipation Bonds may be issued maturing in not more than two years (CGS 7-378). Temporary Bonds may be renewed up to eight years from their original date of issue as long as all project grant payments are applied toward payment of temporary Bonds when they become due and payable and the legislative body schedules principal reductions by the end of the third year and for all subsequent years during which such temporary Bonds remain outstanding in an amount equal to a minimum of 1/20th (1/30th for sewer projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bonds issue is reduced by the amount of time temporary financing exceeds two years, or, for sewer projects, by the amount of time temporary financing has been outstanding.

Temporary Bonds must be permanently funded no later than eight years from the initial borrowing date except for sewer Bonds issued in anticipation of State and/or Federal grants. If a written commitment exists, the municipality may renew the Bonds from time to time in terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

Temporary Bonds may also be issued for up to fifteen years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year (whichever is sooner), and in each year thereafter, the Bonds must be reduced by at least 1/15 of the total amount of the Bonds issued by funds derived from certain sources of payment.

Temporary Bonds may be issued in one year maturities for up to fifteen years in anticipation of sewer assessments receivable, such Bonds to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

Limitation of Indebtedness

Municipalities shall not incur indebtedness through the issuance of bonds or Bonds, which will cause aggregate indebtedness by class to exceed the following:

General Purposes:	2.25 times annual receipts from taxation
School Purposes:	4.50 times annual receipts from taxation
Sewer Purposes:	3.75 times annual receipts from taxation
Urban Renewal Purposes:	3.25 times annual receipts from taxation
Unfunded Past Pension Obligation Purposes:	3.00 times annual receipts from taxation

In no case however, shall total indebtedness exceed seven times the base. "Annual receipts from taxation", (the "base,") are defined as total tax collections including interest, penalties, and late payments of taxes, and state payments for revenue loss under CGS Sections 12-129d and 7-528.

The statutes also provide for exclusion from the debt limit calculation debt issued in anticipation of taxes; for the supply of water, gas, electricity; for the construction of subways for cables, wires and pipes; for the construction of underground conduits for cables, wires and 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 and for indebtedness issued in anticipation of the receipt of proceeds from State or Federal grants evidenced by a written commitment or contract but only to the extent such indebtedness can be paid from such proceeds. The statutes also provide for exclusion from the debt limitation of any debt to be paid from a funded sinking fund.

Statement of Statutory Debt Limitation

As of December 30, 2008

(Pro Forma)

TOTAL TAX COLLECTIONS (including interest and lien fees)	\$49,721,000
TOTAL TAX COLLECTIONS (Norwich Fire Department)	3,064,000
Received by the Treasurer for the year ended June 30, 2007	
REIMBURSEMENT FOR REVENUE LOSS ON: Tax Relief for Elderly	\$20,000
BASE	\$52,805,000

DEBT LIMITATION:	General Purpose	Schools	Sewers	Urban Renewal	Pension Obligation
2 ¼ times base	\$118,811,000				
4 ½ times base		\$237,623,000			
3 ¾ times base			\$198,019,000		
3 ¼ times base				\$171,616,000	
3 times base					\$158,415,000
Total debt limitation	\$118,811,000	\$237,623,000	\$198,019,000	\$171,616,000	\$158,415,000
INDEBTEDNESS:					
Bonds Payable	\$12,401,615	\$6,757,328	\$8,106,082	\$-	\$0
This Issue		\$2,940,000			
Notes Payable	8,045,000	-	-		\$0
Clean Water Fund Obligations	-	-	4,236,937		
Authorized but Unissued Debt	910,000	11,250,000	1,800,000	-	\$0
TOTAL DIRECT INDEBTEDNESS	\$21,356,615	\$20,947,328	\$14,143,019	\$0	\$0
Less: Self financed grants/assessments	-	(\$1,631,730)	-	-	-
TOTAL NET INDEBTEDNESS	\$21,036,590	\$19,315,598	\$14,143,019	\$0	\$0
DEBT LIMITATION IN EXCESS OF OUTSTANDING AND AUTHORIZED DEBT	\$97,774,660	\$218,307,402	\$183,873,981	\$171,616,000	\$158,415,000

¹ Represents State of Connecticut school construction grants applicable to prior bond issues. (See "School Projects" herein).

² Represents Self-Supporting Sewer Bonds.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation of \$369,635,000.

Authorized But Unissued Debt

As of December 30, 2008

(Pro Forma)

Authorization Date	Project	Authorized	Prior Bonds/ Paydowns	Grants	BAN's Outstanding	Remaining Authorization
09/19/05	Taftville VFD Ladder Truck	\$740,000	-	-	\$740,000	-
05/01/06	Fire apparatus (2 pumpers)	800,000	-	-	800,000	-
11/07/06	Road Improvement Program	5,000,000	-	-	5,000,000	-
08/06/07	Demolition (2007)	100,000	-	-	100,000	-
09/04/07	Dodd Stadium	610,000	-	-	-	\$610,000
04/07/08	Dog Pound planning, acq. and const.	610,000	-	-	610,000	-
01/22/08	Public Safety Improvements (2008)	795,000	-	-	795,000	-
09/15/08	Demolition (2008)	300,000	-	-	-	300,000
	Subtotal – General Purpose	\$8,955,000	-	-	\$8,045,000	\$910,000
08/06/07	Kelly Middle School Renovation	40,250,000	-	29,000,000	-	11,250,000
	Subtotal – Schools	\$40,250,000	-	\$29,000,000	-	\$11,250,000
09/04/07	Flyers Drive Area Sewers	1,800,000	-	-	-	1,800,000
	Subtotal – Sewers	\$1,800,000	-	-	-	\$1,800,000
06/02/08	Business park water improvements	450,000	-	-	-	450,000
06/02/08	Backwash systems for Deep River	560,000	-	-	-	560,000
	Subtotal – Water	\$1,010,000	-	-	-	\$1,010,000
	Grand Total	\$52,015,000	-	\$29,000,000	\$8,045,000	\$14,970,000

LEGAL AND OTHER INFORMATION

- **Litigation**
- **Documents to be Furnished at Closing**
- **Concluding Statement**

LEGAL AND OTHER INFORMATION

Litigation

The City of Norwich, its officers, employees, boards and commissions are named defendants in a number of lawsuits, tax appeals, administrative proceedings and other miscellaneous claims. It is the City Attorney's opinion that such pending litigation will not be finally determined, individually or in the aggregate, so as to result in final judgments against the City which would have a material adverse effect on the City's financial position.

Documents To Be Furnished At Closing

Upon delivery of the Bonds, the original purchaser(s) will be furnished with the following:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them.
2. A Certificate on behalf of the City signed by the City Manager and the Comptroller, which will be dated the date of delivery and attached to a signed copy of the Private Placement Memorandum, and which will certify, to the best of said officials' knowledge and belief, that at the time of execution of the Bond Purchase Agreement, the description and statements in the Private Placement Memorandum relating to the City of Norwich and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the City from that set forth in or contemplated by the Private Placement Memorandum.
3. A receipt for the purchase price of the Bonds.
4. The approving opinion of Murtha Cullina LLP, Bond Counsel, of Hartford, Connecticut substantially in the form of Appendix B attached hereto.
5. An executed Continuing Disclosure Agreement for the Bonds substantially in the form of Appendix C attached hereto.
6. The City of Norwich, Connecticut has prepared a Private Placement Memorandum for the Bond issue which is dated December ____, 2008. The City deems such Private Placement Memorandum final as of its date for purposes of SEC Rule 15c2-12 (b) (5), but it is subject to revision or amendment. The City will make available to the purchaser of the Bonds 25 copies of the Private Placement Memorandum at the City's expense within seven business days of the bid opening. Additional copies may be obtained by the original purchaser(s) at its own expense by arrangement with the printer.

Concluding Statement

This Private Placement Memorandum is not to be construed as a contract or agreement between the City and the purchaser or holders of any of the Bonds. Any statements made in this Private Placement Memorandum involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any of such opinion or estimate will be realized.

No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. Neither the delivery of this Private Placement Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. References to statutes, charters, or other laws herein may not be complete and such provisions of law are subject to repeal or amendment.

This Private Placement Memorandum has been duly prepared and delivered by the City, and executed for and on behalf of the City of Norwich by the following officials:

CITY OF NORWICH

/s/ _____

Alan H. Bergren
City Manager

/s/ _____

Joseph A. Ruffo
Comptroller

Dated: as of December ____, 2008.