

**Review of Proposed Debt Issuance Plan
&
Financial Indicators**

Town of Tolland, Connecticut
January 2008

Executive Summary

Existing and Authorized-But-Unissued Debt

As of fiscal year 2007/08 the Town of Tolland has outstanding gross tax-supported debt in the principal amount of \$41,365,000, not including the local share for Vernon WIP Expansion and Vernon Sewer Line. Authorized-but-unissued debt includes the balance of the new high school project at \$736,971, \$1,685,120 in open space projects, \$150,000 for various capital projects and \$1,839,156 for the Birch Grove School expansion for a total of \$4,451,465.

Proposed Capital Projects

Proposed capital projects for fiscal years ending 2009 through 2013 total \$7,598,579. See below for detailed listing of projects.

Proposed Capital Projects

2008/09 pavement management	\$	730,595
2008/09 land acquisition	\$	399,405
	\$	<u>1,130,000</u>
2009/10 Pavement Management	\$	540,000
2009/10 land acquisition	\$	450,000
	\$	<u>990,000</u>
2010/11 All Schools renovations	\$	2,959,490
	\$	<u>2,959,490</u>
2011/12 pavement management	\$	415,260
2011/12 construction/reconstruction Johnson Rd		200,000
2011/12 fire station: upgrade at 140		612,000
	\$	<u>1,227,260</u>
2012/13 pavement management	\$	561,829
2012/13 public facilities: metal storage garage		730,000
	\$	<u>1,291,829</u>
Total Capital Projects	\$	<u>7,598,579</u>

Proposed Debt Issuance Plan

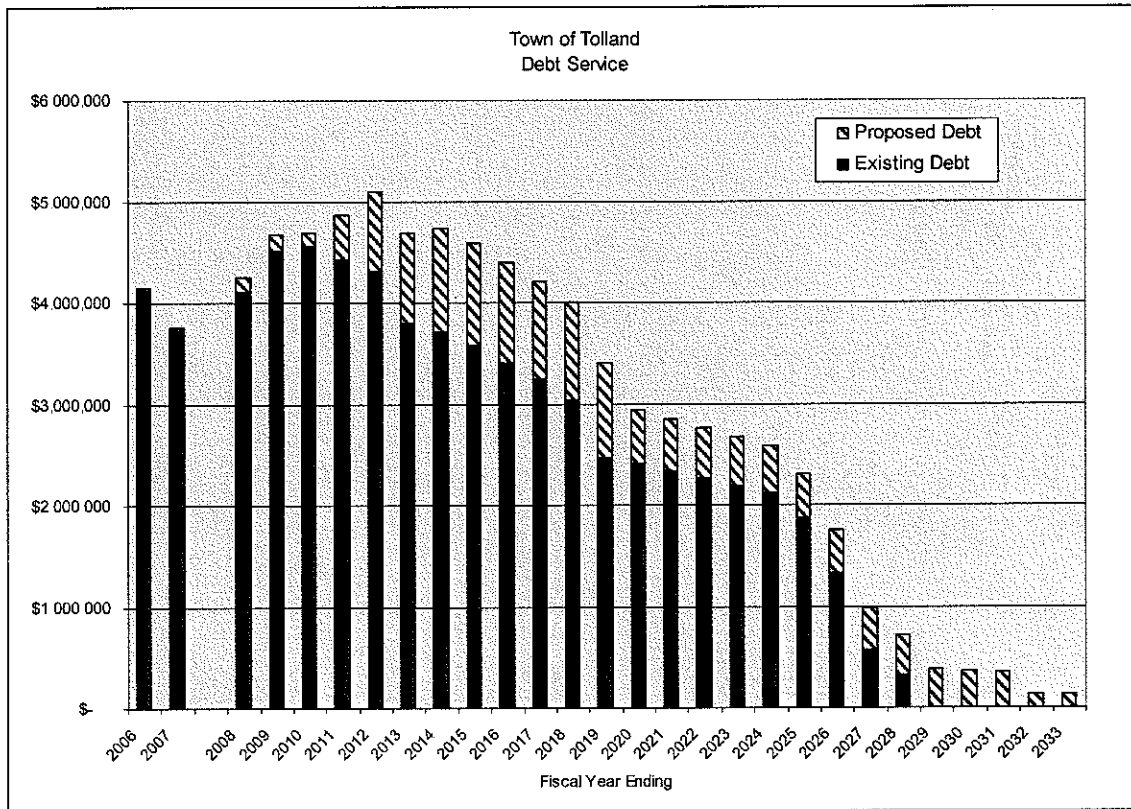
The recommended financing strategy for the authorized-but-unissued debt and proposed capital projects listed above includes a combination of a series of bond anticipation notes and issuance of three bond issues. Debt issuance scheduled for the current fiscal year has already occurred but is shown for reference. See below for details.

<u>Fiscal Year 2007/08</u>			
Bond #2	Dated 9/1/07, due 9/1/09-27	Rollover BAN #2B	\$ 3 080 000
	Dated 9/1/07 due 9/1/09-27	High School	\$ 200,000
	Dated 9/1/07 due 9/1/09-27	Land Acquisition	\$ 975,000
			<u>\$ 4 255 000</u>
BAN #2 (C)	Dated 9/14/07 due 9/12/08	High school (5% retainage)	\$ 1 400 000
	Dated 9/14/07, due 9/12/08	2007/08 capital projects	1,050,000
			<u>\$ 2 450 000</u>
<u>Fiscal Year 2008/09</u>			
Bond #3	Dated 9/15/08, due 9/15/10-18	Rollover of BAN #2 C-Capital Projects	\$ 1,050,000
	Dated 9/15/08, due 9/15/10-18	Land Acquisition	\$ 750,000
	Dated 9/15/08, due 9/15/10-18	2008/09 capital projects & land acquisition	\$ 1,130,000
			<u>\$ 2,930 000</u>
<u>Fiscal Year 2009/10</u>			
BAN #3	Dated 1/15/10 due 1/15/11	2009/10 capital project & land acquisition	\$ 990,000
			<u>\$ 990,000</u>
<u>Fiscal Year 2010/11</u>			
Bond #4	Dated 1/15/11, due 1/15/12-31	2009/10 capital projects	2,960,000
	Dated 1/15/11, due 1/15/12-31	Rollover BAN #3	990,000
			<u>\$ 3,950 000</u>
<u>Fiscal Year 2011/12</u>			
BAN #4	Dated 9/15/11 due 9/15/12	2011/12 capital projects	\$ 1,230,000
			<u>\$ 1,230,000</u>
<u>Fiscal Year 2012/13</u>			
Bond #5	Dated 9/15/12, due 9/15/13-32	Rollover of BAN #4	\$ 1 230 000
	Dated 9/15/12, due 9/15/13-32	2012/13 Capital projects	1,290,000
			<u>\$ 2 520,000</u>

Bond #1 dated 9/15/06; BAN #1 dated 1/24/06; BAN #2A&B dated 9/15/06

Existing and Proposed Debt Service

Tolland's annual debt service was a low of \$1.7 million in fiscal year 2001/02, increasing to \$4.1 million in 2005/06 as a result of new debt issuance for the new high school. Estimated debt service, including the unauthorized-but-unissued and proposed capital projects, will increase gradually with a peak at \$5.1 million in 2011/12.

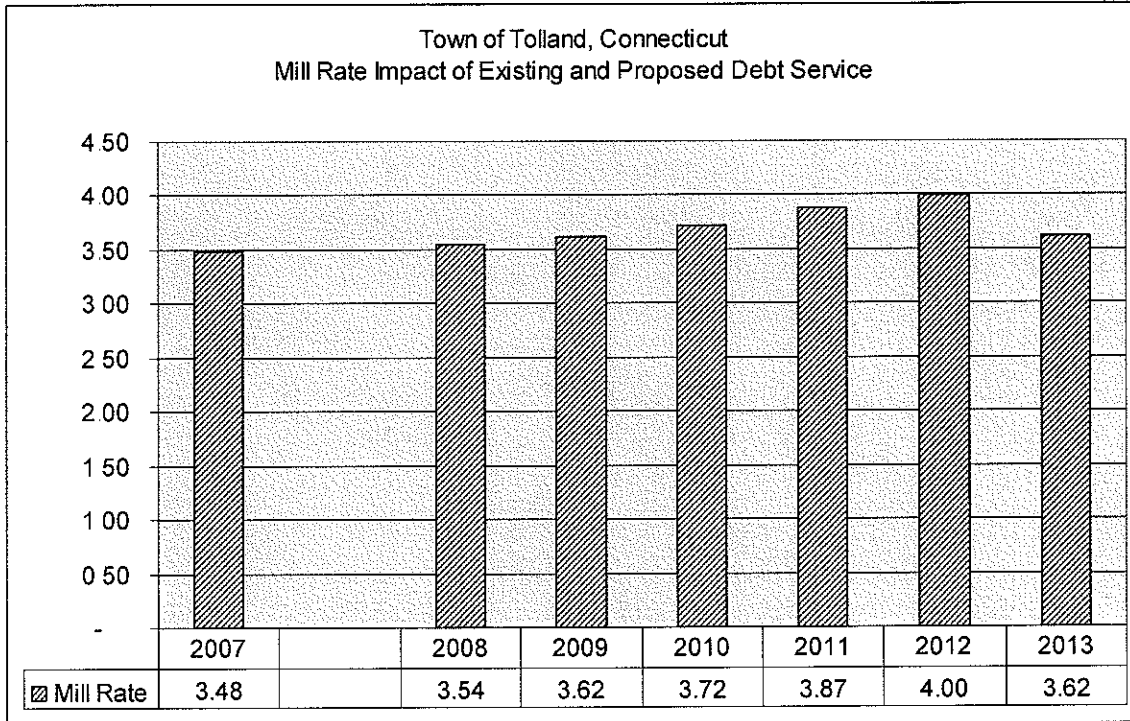


The Proposed Debt Issuance Plan makes the following assumptions:

- Bonds issued in fiscal year ending 2009 are assumed at a true interest cost of 4.5% for a ten-year maturity. Bonds issued in fiscal years ending 2011, and 2013 are assumed at a true interest cost of 5% maturing in twenty years. (Current market rates are below 4% for twenty-year bonds.)
- Various bond anticipation notes issued at an estimated net interest cost of 4%. (Current market rates for notes are below 3%.)
- \$325,000 of investment income on bond and BAN proceeds were used to offset debt service in fiscal years ending in 2009 and 2010.
- Growth in the grand list was assumed at 3% for the fiscal year ending 2007 and 1.5% for each year thereafter.
- Growth in total general fund expenditures, excluding debt service, was estimated at 5% for fiscal year 2009/10 and for each year thereafter. The numbers for fiscal years ending 2006 through 2008 are actuals, and the figure for fiscal year ending 2009 is estimated.

Mill Rate Impact

The mill rate impact for the Proposed Debt Issuance Plan remains relatively flat, increasing by approximately 0.52 mills from 3.48 mills in 2006/07 to 4.00 mills in the peak year of 2011/12 after the issuance of bonds for various capital projects.



Financial Indicators

Debt ratios is one of many measures used by rating agencies such as Standard & Poor's, Fitch Ratings, and Moody's Investors Service to determine a municipality's credit rating and worthiness. They issue national benchmarks and averages for debt issuers throughout the United States. Connecticut typically has higher ratios than the national average or benchmark for various reasons:

- Connecticut has the highest income per capita in the nation and spends more on infrastructure.
- Connecticut has extensive infrastructure for schools, sewer and water facilities due to population density and high standards.
- Connecticut's infrastructure is funded on a town-by-town basis whereas other parts of the country fund such facilities on a county or regional district basis. This results in lower debt per capita on a town basis.

Communities experiencing rapid growth in population and major infrastructure improvements and additions are generally in the higher end of the range of ratios.

Tolland's *debt service as a percent of general fund expenditures*, also known as a carrying charge, was 5.26% in 2001/02 and 8.5% in 2006/07. Going forward, fiscal year 2008/09 is expected to see a peak of 9.6% declining to 9.1% in 2010/11 and 8.1% in 2012/13. Standard & Poor's considers a range of 4.3 to 9.8% as average on the national scale for cities with populations on less than 20,000. The median carrying charge for AA-rated communities with populations of under 20,000 was 6.2% in 2007.

Debt per capita in 2007/08 is \$3,050 with a five-year average of \$2,928 for fiscal years ending 2008 through 2012. Fiscal year ending 2009 is the peak year for this statistic, steadily declining to \$2,693 in 2011/12. According to Standard & Poor's, Tolland's debt per capita is average for the size of the Town. The State of Connecticut Office of Policy and Management's *Municipal Fiscal Indicators FY 2002-06* reports the debt per capita among Aa3-rated municipalities ranges from a low of \$441 to a high of \$2,659 for fiscal year ending 2006. Tolland's debt per capita for 2006 was \$2,429, slightly above the average of \$2,036 for all Towns in Connecticut for the same year.

Debt as a percent of full market value for Tolland was 4.19% in 2005/06. Since then it has steadily declined to 3.52% in 2007/08, with a five-year average of 2.95% for fiscal years ending 2009 through 2013. The national average ranges from 1.7% to 4.3% for the average category for cities with populations of less than 20,000.