

Town of Tolland, Connecticut

Proposed Debt Management Plan Fiscal Years 2019 to 2023



February 15, 2018

Barry Bernabe
Managing Director



Executive Summary

Existing and Authorized-But-Unissued Debt

As of February 2018 the Town has outstanding gross tax-supported debt in the principal amount of \$28,165,433, not including sewer debt paid from assessments. Authorized-but-unissued debt totals \$13,786,266.

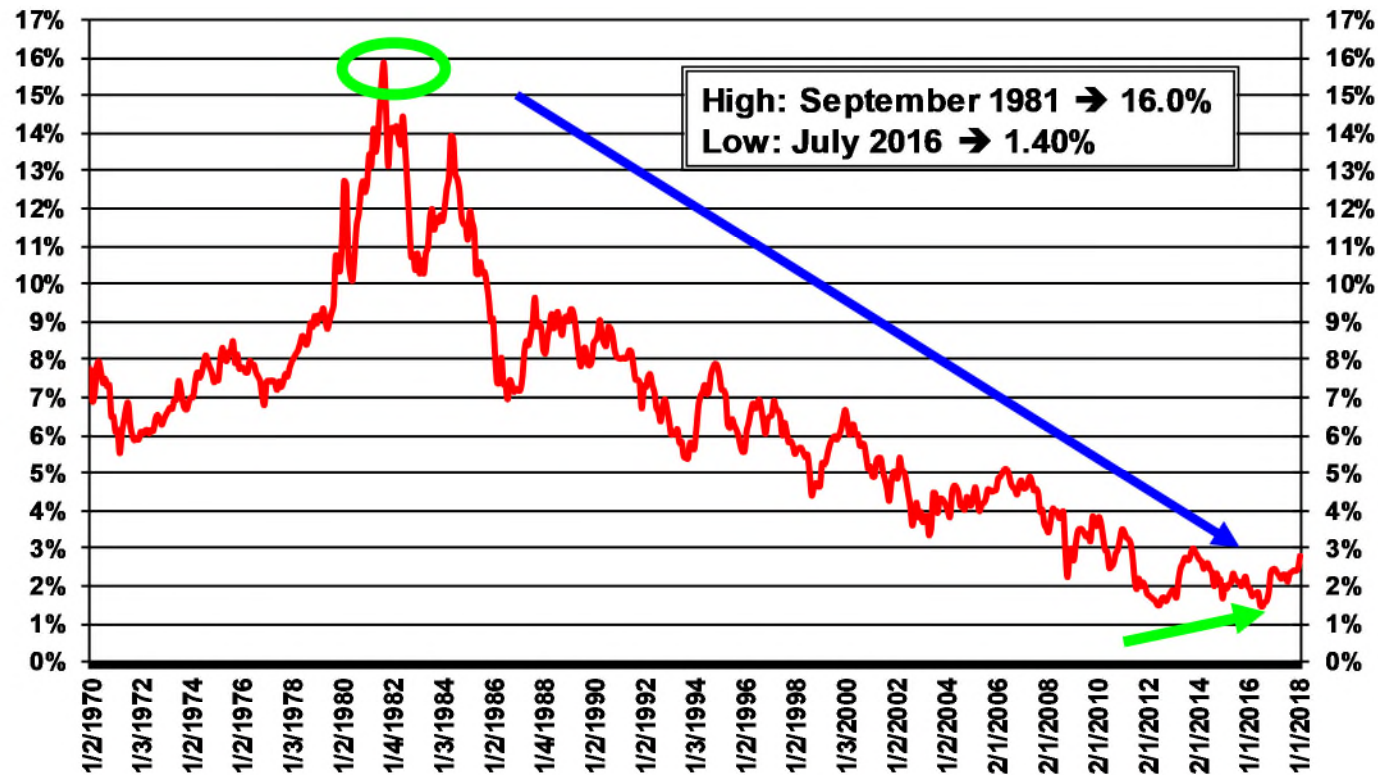
Proposed Debt Issuance Plan

Actual and proposed capital projects for fiscal years ending 2019 through 2023 total \$22,600,000.

	Remaining Authorized But Not Issued	Capital Needs From CIP	Total Needs
Year 1 - FY 2018-19	\$ 11,528,688	722,122	\$ 12,250,810
Year 2 - FY 2019-20	2,053,751	1,976,800	4,030,551
Year 3 - FY 2020-21	0	996,060	996,060
Year 4 - FY 2021-22	0	4,012,000	4,012,000
Year 5 - FY 2022-23	203,827	1,110,325	1,314,152
	\$ 13,786,266	\$ 8,817,307	\$ 22,603,573
	Amount Issued		
YEAR 1	\$ 8,600,000	Issue Bonds & \$3,650,000 BANs	
YEAR 2	7,000,000	Issue BANs	
YEAR 3	7,000,000	Issue Bonds	
YEAR 4	5,000,000	Issue BANs	
YEAR 5	7,000,000	Issue Bonds	
	\$ 22,600,000	Total amount permanently financed	

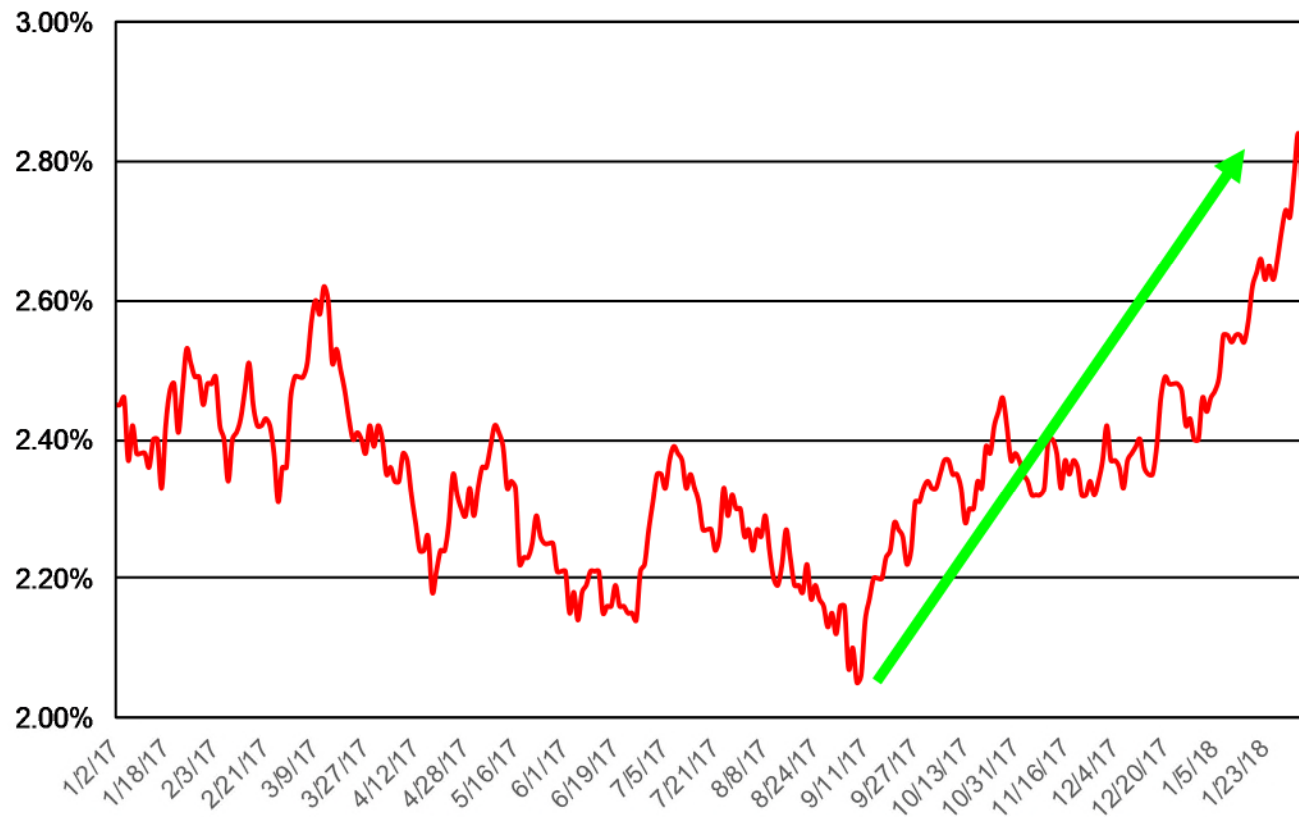
Long-term Interest Rates – Past 50 Years

Ten Year U.S. Treasury Yield - January 1, 1968 to February 1, 2018



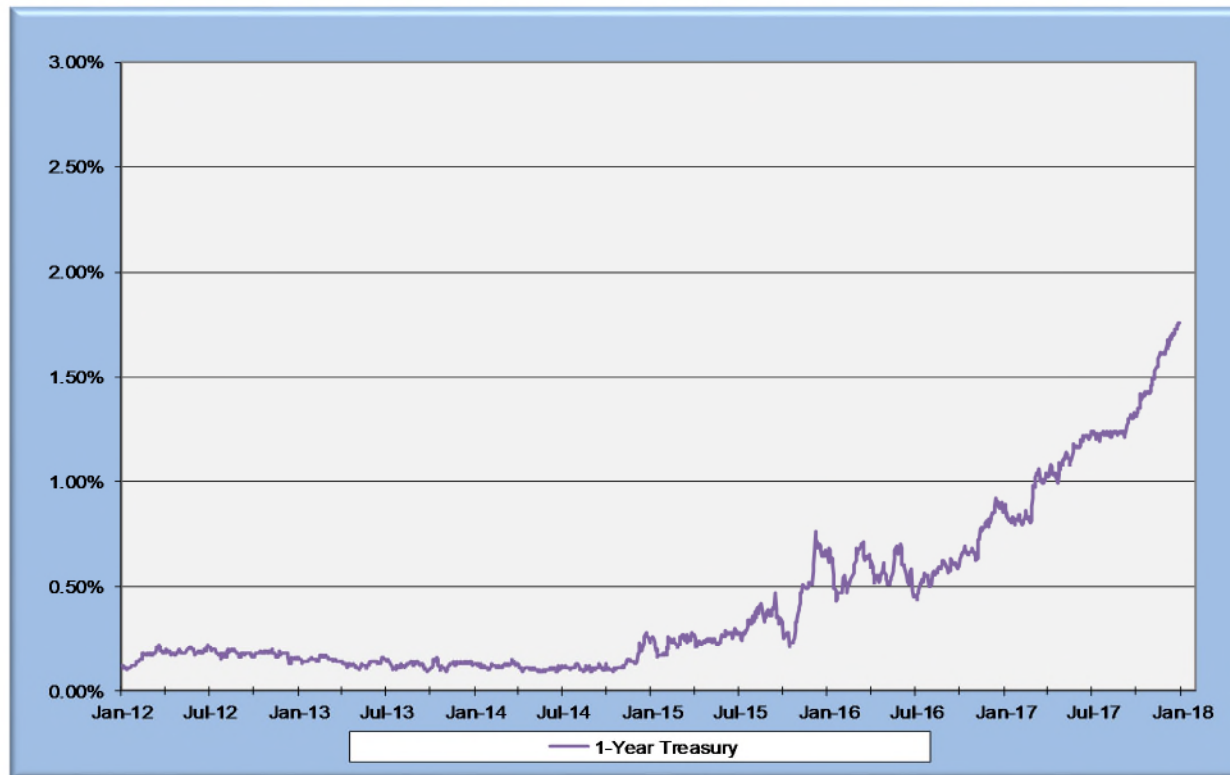
Long-term Interest Rates – Over the Past Year

10-Year U.S. Treasury Yield – 1/1/2017 to February 7, 2018




Short-term Interest Rates

1 Year U.S. Treasury Yield - January 1, 2012 to February 6, 2018



Town Ratings

Standard & Poor's, Fitch & Moody's Rating Scales

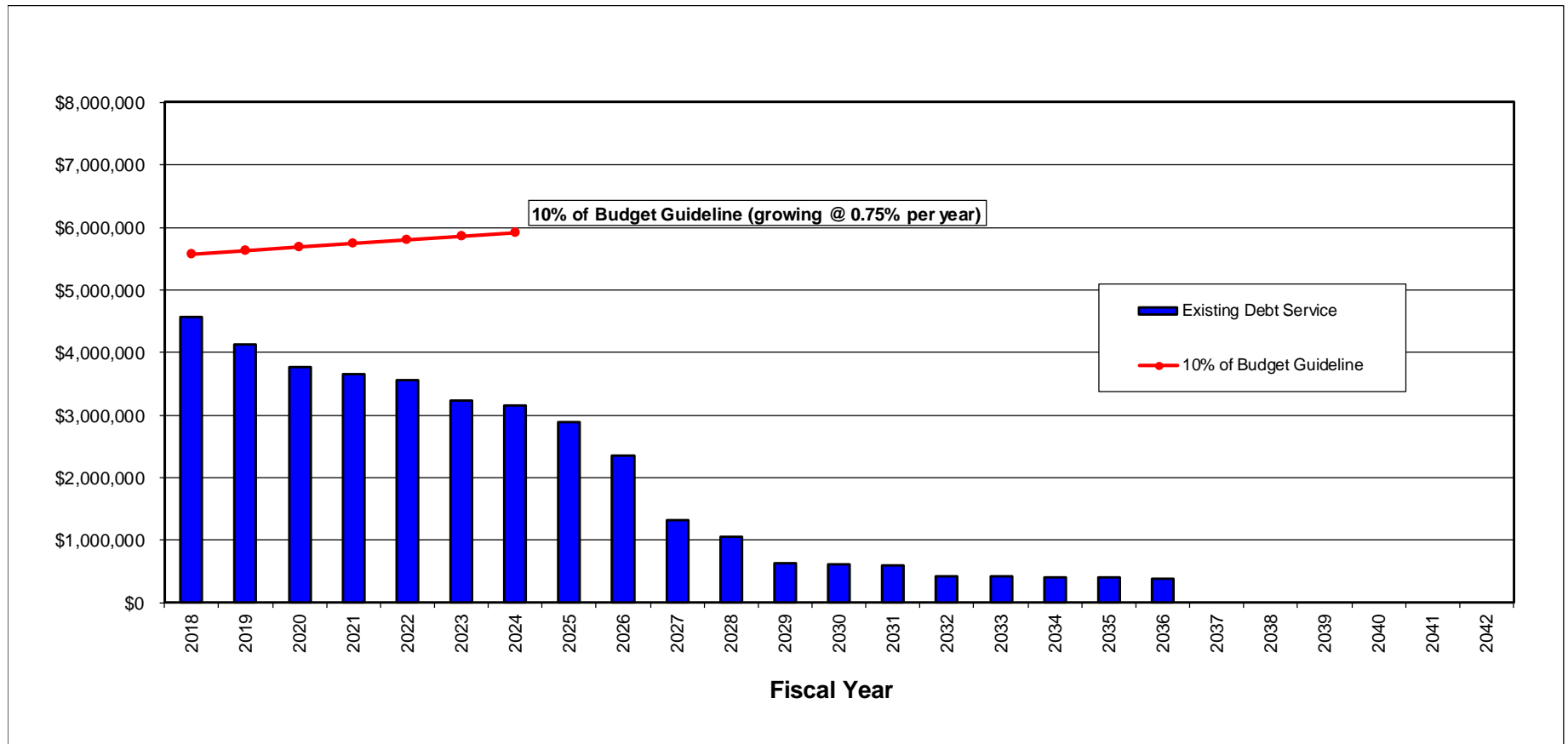
 Highest	<u>AAA</u>	AAA	Aaa
	<u>AA+</u>	AA+	Aa1
	<u>AA</u>	AA	Aa2
	<u>AA-</u>	AA-	Aa3
	<u>A+</u>	A+	A1
	<u>A</u>	A	A2
	<u>A-</u>	A-	A3
	<u>BBB+</u>	BBB+	Baa1
	<u>BBB</u>	BBB	Baa2
	<u>BBB-</u>	BBB-	Baa3
Lowest			

Major Rating Assessment Categories

- 1) Management Practices – 25%**
 - Fiscal Discipline and Ability to Plan, Monitor and Manage Government Finances
- 2) Economy & Demographics – 30%**
 - Unemployment Rate, Housing Values
- 3) Financial Performance – 25%**
 - Fund Balance Levels & Budgetary Discipline
- 4) Debt Management – 10%**
 - Debt % of Budget, Debt % of Grand List
- 5) Long-term Liabilities – 10%**
 - Pension & OPEB (Retirement Health Care)

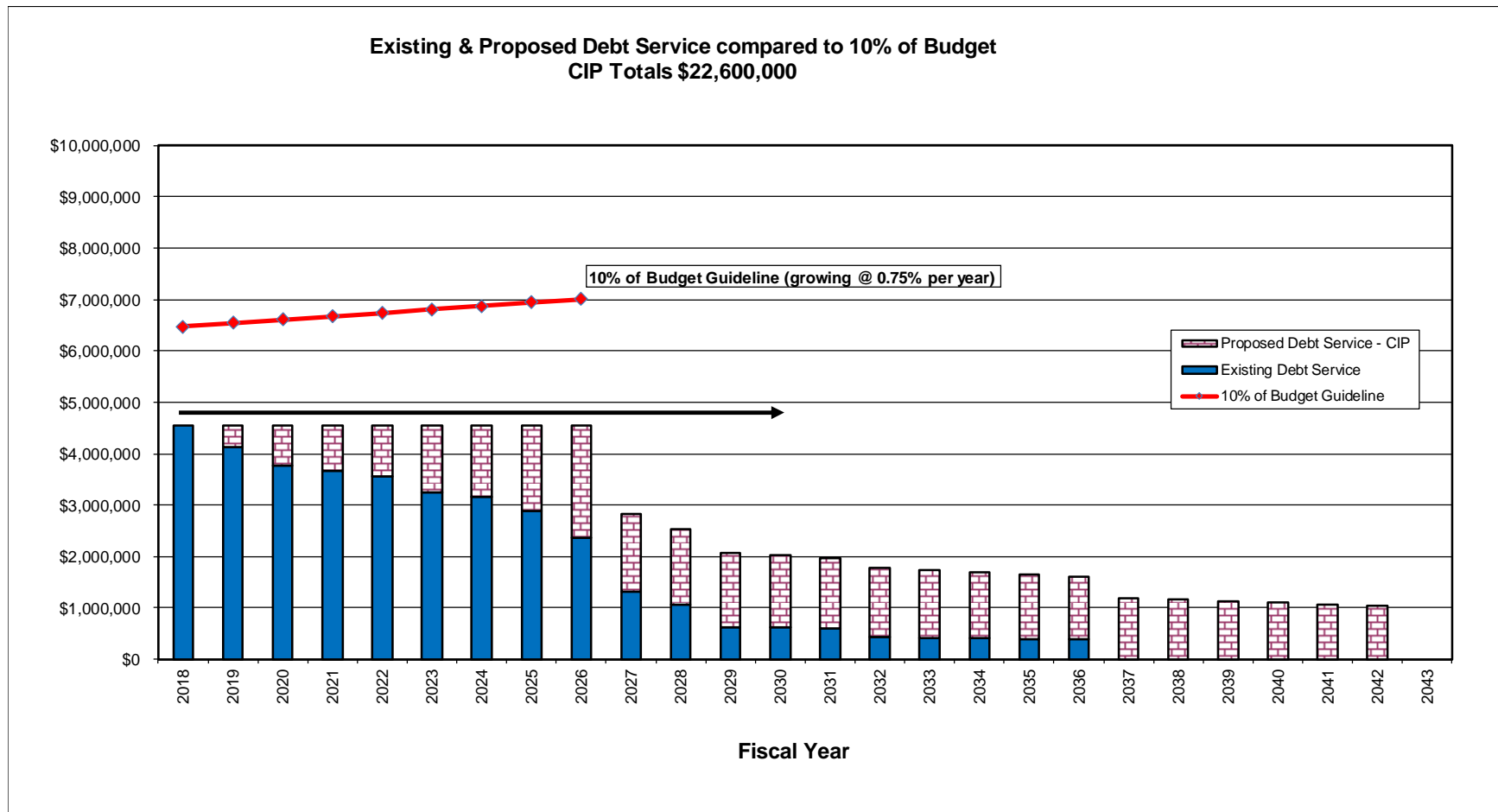
Existing Debt Service

The Town's existing debt service peaks in FY 2017-18 and then decreases each year. That decrease will mitigate the impact of the new debt that will be issued for the Capital Improvement Program.



The Proposed Debt Issuance Plan makes the following assumptions:

- Bonds issues to be issued at a rate of 3.00% and increasing 0.25% for subsequent issues.
- Current Bond rates for Tolland are at 2.85%
- Growth in the grand list was assumed at 0.75% per year



Summary Points

- Tax Reform Act effective January 1, 2018 has negatively impacted the municipal bond market. SALT deduction is capped at \$10,000, corporate tax rates are cut resulting in less demand for tax-exempt securities.
- Advance Refinancing have been eliminated which reduces ability to save on debt service or to restructure existing debt service.
- Federal Reserve has started to raise short-term interest rates and they are expected to continue to increase short-term rates three or four times in 2018.
- Long-term rates are still very low from an historic perspective but have increased since the election, and especially the past few weeks.
- The Town has \$4,810,000 of BANs that mature in May 2018. The Town is planning on issuing Bonds & BANs in May 2018. Expected Bond rate is 3.00% and BAN rate is 1.75%.
- The Town has above average bond ratings: S&P & Fitch both rate the Town “AAA”. These highest possible ratings will allow the Town to borrow at the lowest possible rate
- Some factors mentioned in the recent S&P and Fitch reports that justify the AAA ratings include: Very Strong Management Practices, Strong Budget Flexibility and Liquidity and Limited Pension and OPEB liabilities.
- The Town has numerous formalized policies including: Fund Balance, Debt Service and Capital Improvement.
- The Town’s existing debt service amortizes aggressively.
- This aggressive debt amortization will help mitigate the impact of the proposed new debt.
- Structured appropriately - the Town’s CIP totaling about \$22,600,000 will have minimal impact on the Town’s existing annual debt requirements.

Town of Tolland, Connecticut
Existing & Proposed Debt Service
November 2017

General Fund Only Debt Service					Proposed Debt Service ==>																						
Fiscal Year	Existing General Fund Principal	Existing GF Interest	TOTAL General Fund Debt (excludes Sewer Assessment Debt & 2013 Energy Lease)	Annual Change in Existing Debt Service	\$4,810,000 BANs to Mature 5/24/2018 Interest	\$8,600,000 Bond Issue Dated May 2018 Term: 25 Years Rate: 3.15%			\$3,650,000 BANs Dated: 5/18 Due: 5/19 Interest	\$7,000,000 BANs Dated: 5/19 Due: 5/20 Interest	\$7,000,000 Bond Issue Dated May 2020 Term: 20 Years Rate: 3.20%			\$7,000,000 BANs Dated: 5/21 Due: 5/22 Interest	\$7,000,000 Bonds Dated May 2022 Term: 25 Years Rate: 3.25%			Total Proposed Principal	Total Proposed Interest	Total Proposed Debt Service (CIP)	Projected Bond & BAN Premiums	Existing Plus Proposed DS & Contribution	Amount Budgeted for Debt Service	Annual \$ Change of budget			
2018	3,568,567	1,007,190	4,575,757	(120,403)	70,814	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70,814	70,814	200,000	4,646,571	4,550,000	0		
2019	3,235,247	899,292	4,134,539	(441,218)	-	-	270,900	270,900	73,000	-	-	-	-	-	-	-	-	-	-	343,900	343,900	50,000	4,478,439	4,550,000	0		
2020	2,980,737	790,816	3,771,553	(362,986)	-	360,000	270,900	630,900	-	175,000	-	-	-	-	-	-	-	-	360,000	445,900	805,900	175,000	4,577,453	4,550,000	0		
2021	2,975,737	684,674	3,660,411	(111,142)	-	360,000	259,560	619,560	-	-	-	224,000	224,000	140,000	-	-	-	-	360,000	623,560	983,560	50,000	4,643,971	4,550,000	0		
2022	2,992,047	569,457	3,561,503	(98,907)	-	360,000	248,220	608,220	-	-	295,000	224,000	519,000	-	-	-	-	-	655,000	472,220	1,127,220	175,000	4,688,723	4,550,000	0		
2023	2,786,667	453,671	3,240,338	(321,166)	-	360,000	236,880	596,880	-	-	295,000	214,560	509,560	-	-	227,500	227,500	655,000	678,940	1,333,940	-	4,574,278	4,550,000	0			
2024	2,811,667	350,032	3,161,699	(78,639)	-	360,000	225,540	585,540	-	-	295,000	205,120	500,120	-	295,000	227,500	522,500	950,000	658,160	1,608,160	-	4,769,859	4,550,000	0			
2025	2,621,667	263,012	2,884,679	(277,020)	-	360,000	214,200	574,200	-	-	295,000	195,680	490,680	-	295,000	217,913	512,913	950,000	627,793	1,577,793	-	4,462,471	4,550,000	0			
2026	2,161,667	194,289	2,355,956	(528,723)	-	360,000	202,860	562,860	-	-	295,000	186,240	481,240	-	295,000	208,325	503,325	950,000	597,425	1,547,425	-	3,903,381	4,550,000	0			
2027	1,170,000	147,800	1,317,800	(1,038,156)	-	360,000	191,520	551,520	-	-	295,000	176,800	471,800	-	295,000	198,738	493,738	950,000	567,058	1,517,058	-	2,834,858	4,550,000	0			
2028	940,000	119,125	1,059,125	(258,675)	-	360,000	180,180	540,180	-	-	295,000	167,360	462,360	-	295,000	189,150	484,150	950,000	536,690	1,486,690	-	2,545,815	4,550,000	0			
2029	530,000	98,950	628,950	(430,175)	-	360,000	168,840	528,840	-	-	295,000	157,920	452,920	-	295,000	179,563	474,563	950,000	506,323	1,456,323	-	2,085,273	4,550,000	0			
2030	530,000	82,913	612,913	(16,038)	-	360,000	157,500	517,500	-	-	290,000	148,480	438,480	-	295,000	169,975	464,975	945,000	475,955	1,420,955	-	2,033,868	4,550,000	0			
2031	530,000	65,700	595,700	(17,213)	-	360,000	146,160	506,160	-	-	290,000	139,200	429,200	-	295,000	160,388	455,388	945,000	445,748	1,390,748	-	1,986,448	4,550,000	0			
2032	380,000	51,300	431,300	(164,400)	-	360,000	134,820	494,820	-	-	290,000	129,920	419,920	-	290,000	150,800	440,800	940,000	415,540	1,355,540	-	1,786,840	4,550,000	0			
2033	380,000	39,900	419,900	(11,400)	-	360,000	123,480	483,480	-	-	290,000	120,640	410,640	-	290,000	141,375	431,375	940,000	385,495	1,325,495	-	1,745,395	4,550,000	0			
2034	380,000	28,500	408,500	(11,400)	-	360,000	112,140	472,140	-	-	290,000	111,360	401,360	-	290,000	131,950	421,950	940,000	355,450	1,295,450	-	1,703,950	4,550,000	0			
2035	380,000	17,100	397,100	(11,400)	-	360,000	100,800	460,800	-	-	290,000	102,080	392,080	-	290,000	122,525	412,525	940,000	325,405	1,265,405	-	1,662,505	4,550,000	0			
2036	380,000	5,700	385,700	(11,400)	-	355,000	89,460	444,460	-	-	290,000	92,800	382,800	-	290,000	113,100	403,100	935,000	295,360	1,230,360	-	1,616,060	4,550,000	0			
2037	-	-	-	(385,700)	-	355,000	78,278	433,278	-	-	290,000	83,520	373,520	-	290,000	103,675	393,675	935,000	265,473	1,200,473	-	1,200,473	4,550,000	0			
2038	-	-	-	-	-	355,000	67,095	422,095	-	-	290,000	74,240	364,240	-	290,000	94,250	384,250	935,000	235,585	1,170,585	-	1,170,585	4,550,000	0			
2039	-	-	-	-	-	355,000	55,913	410,913	-	-	290,000	64,960	354,960	-	290,000	84,825	374,825	935,000	205,698	1,140,698	-	1,140,698	4,550,000	0			
2040	-	-	-	-	-	355,000	44,730	399,730	-	-	290,000	55,680	345,680	-	290,000	75,400	365,400	935,000	175,810	1,110,810	-	1,110,810	4,550,000	0			
2041	-	-	-	-	-	355,000	33,548	388,548	-	-	290,000	46,400	336,400	-	290,000	65,975	355,975	935,000	145,923	1,080,923	-	1,080,923	4,550,000	0			
2042	-	-	-	-	-	355,000	22,365	377,365	-	-	290,000	37,120	327,120	-	290,000	56,550	346,550	935,000	116,035	1,051,035	-	1,051,035	4,550,000	0			
2043	-	-	-	-	-	355,000	11,183	366,183	-	-	290,000	27,840	317,840	-	290,000	47,125	337,125	935,000	86,148	1,021,148	-	1,021,148	4,550,000	0			
2044	-	-	-	-	-	-	-	-	-	-	290,000	18,560	308,560	-	290,000	37,700	327,700	580,000	56,260	636,260	-	636,260	4,550,000	-			
2045	-	-	-	-	-	-	-	-	-	-	290,000	9,280	299,280	-	290,000	28,275	318,275	580,000	37,555	617,555	-	617,555	4,550,000	-			
2046	-	-	-	-	-	-	-	-	-	-	-	-	-	-	290,000	18,850	308,850	290,000	18,850	308,850	-	308,850	4,550,000	-			
2047	-	-	-	-	-	-	-	-	-	-	-	-	-	-	290,000	9,425	299,425	290,000	9,425	299,425	-	-	-	-			
Total	31,734,000	5,869,421	37,603,421			8,600,000	3,647,070	12,247,070	73,000	175,000	7,000,000	3,013,760	10,013,760	140,000	7,000,000	3,060,850	10,060,850	22,600,000	10,180,494	32,780,494	650,000	70,084,490					