

Town of Tolland, Connecticut

**Proposed Debt Management Plan
&
Financial Indicators**

January 2015

**Barry Bernabe
Managing Director**



Executive Summary

Existing and Authorized-But-Unissued Debt

As of June 30, 2015 the Town of Tolland will have outstanding gross tax-supported debt in the principal amount approximately \$34,300,000, not including sewer debt paid from assessments. Authorized-but-unissued debt totals \$9,860,000.

Proposed Debt Issuance Plan

Actual and proposed capital projects for fiscal years ending 2015 through 2020 total \$19,985,000.

	Remaining Authorized But Not Issued	Capital Needs From CIP	Total Needs	Borrowing Assumption
Year 1 - FY 2014-15	\$ -	\$ -	\$ -	BAN
Year 2 - FY 2015-16	7,494,641	1,504,692	8,999,333	Bond
Year 3 - FY 2016-17	1,000,000	977,014	1,977,014	BAN
Year 4 - FY 2017-18	1,000,000	4,065,536	5,065,536	BAN
Year 5 - FY 2018-19	-	2,623,936	2,623,936	Bond
Year 6 - FY 2019-20	365,000	956,834	1,321,834	Bond
	\$ 9,859,641	\$ 10,128,012	\$ 19,987,653	

	Amount Issued	
YEAR 1	\$ 5,410,000	Issue BAN
YEAR 2	9,000,000	Issue 20 year Bond
YEAR 3	1,975,000	Issue BAN
YEAR 4	7,040,000	Issue BAN
YEAR 5	9,665,000	Issue 20 year Bond
Year 6	1,320,000	Issue 20 year Bond
	\$ 19,985,000	Total amount permanently financed

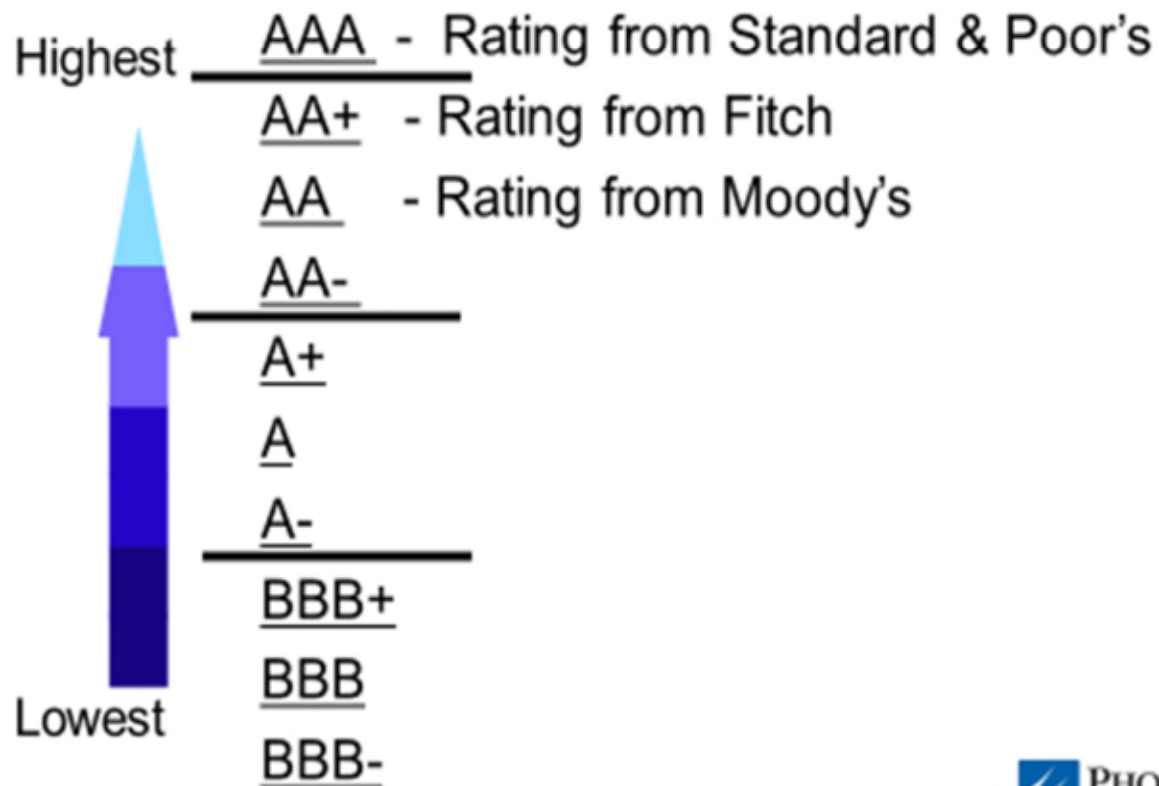
Long-term Interest Rates

Ten Year U.S. Treasury Yield - January 1, 1970 to January 1, 2015



Town Ratings

Tolland Ratings



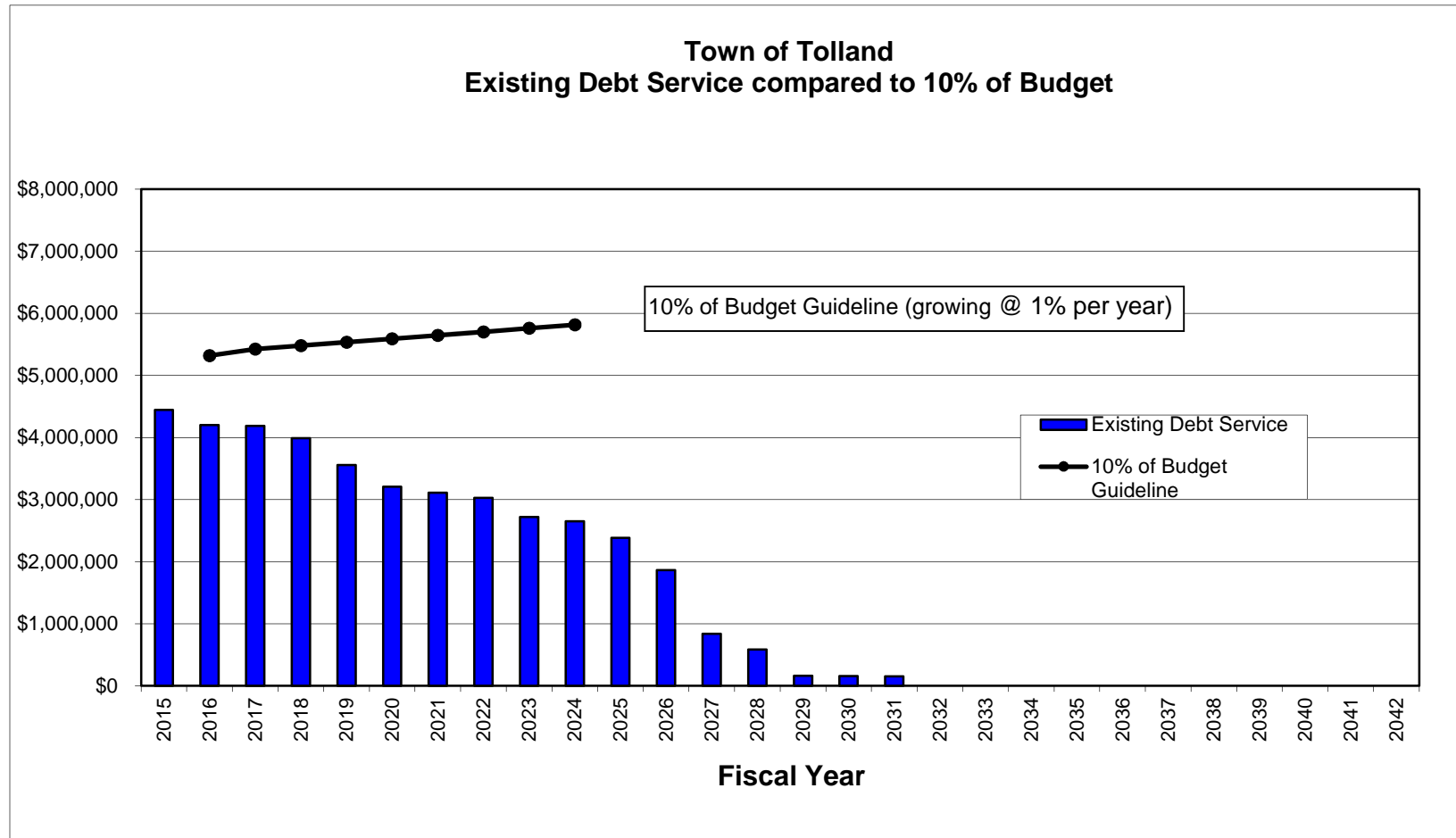
Major Rating Categories

Major Assessment Categories

- 1) Management Practices
- 2) Economic & Demographic Characteristics
 - Unemployment Rate, Housing Values
- 3) Financial Performance
 - Fund Balance (Amount & Consistency)
- 4) Debt Management
 - Debt as % of Budget, Debt to Market Value
- 5) Long-term Liabilities (Pension & OPEB)

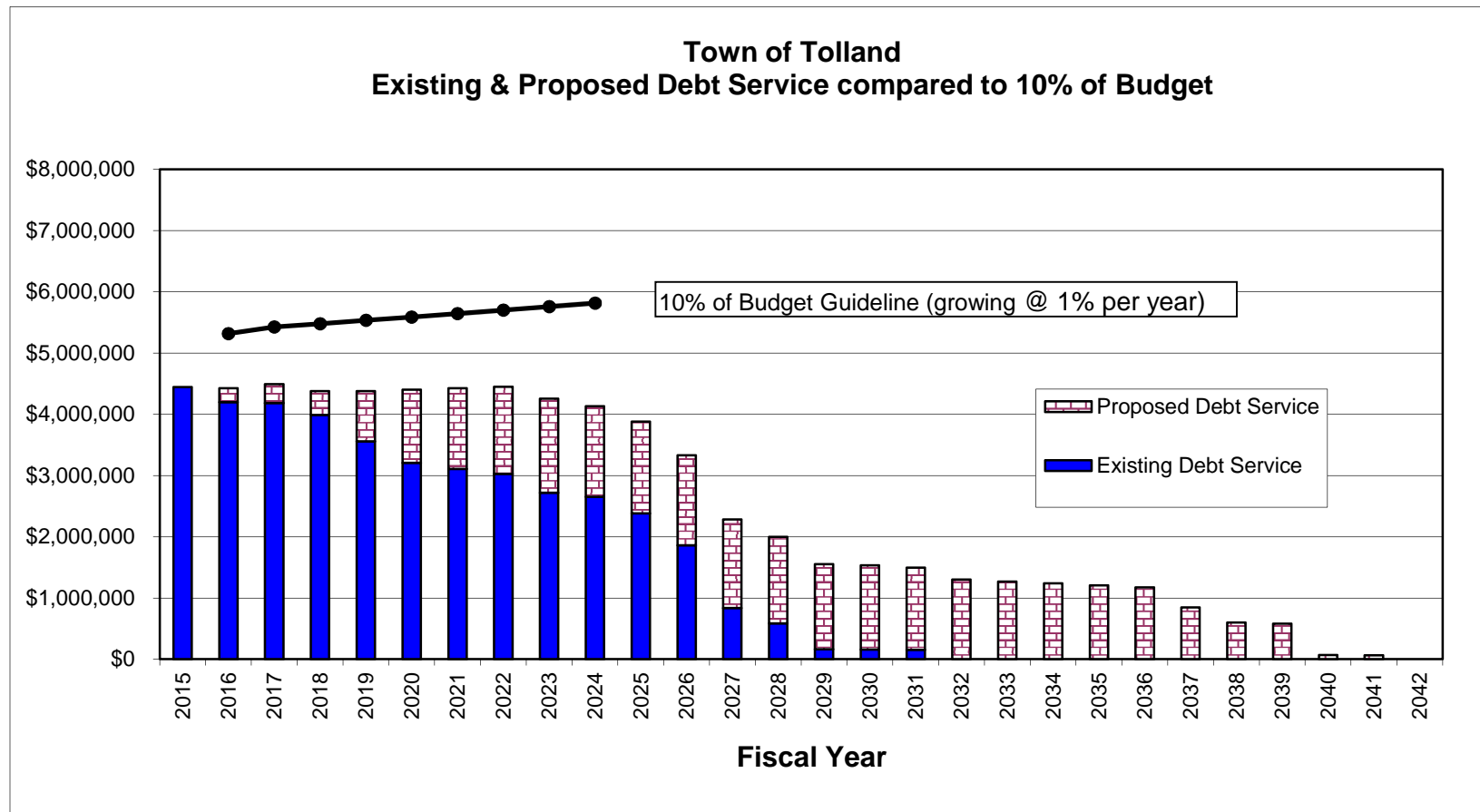
Existing Debt Service

The Town's existing debt service peaks in FY 2014-15 and then decrease each year. That decrease will mitigate the impact of the new debt that will be issued for the Capital Improvement Program.

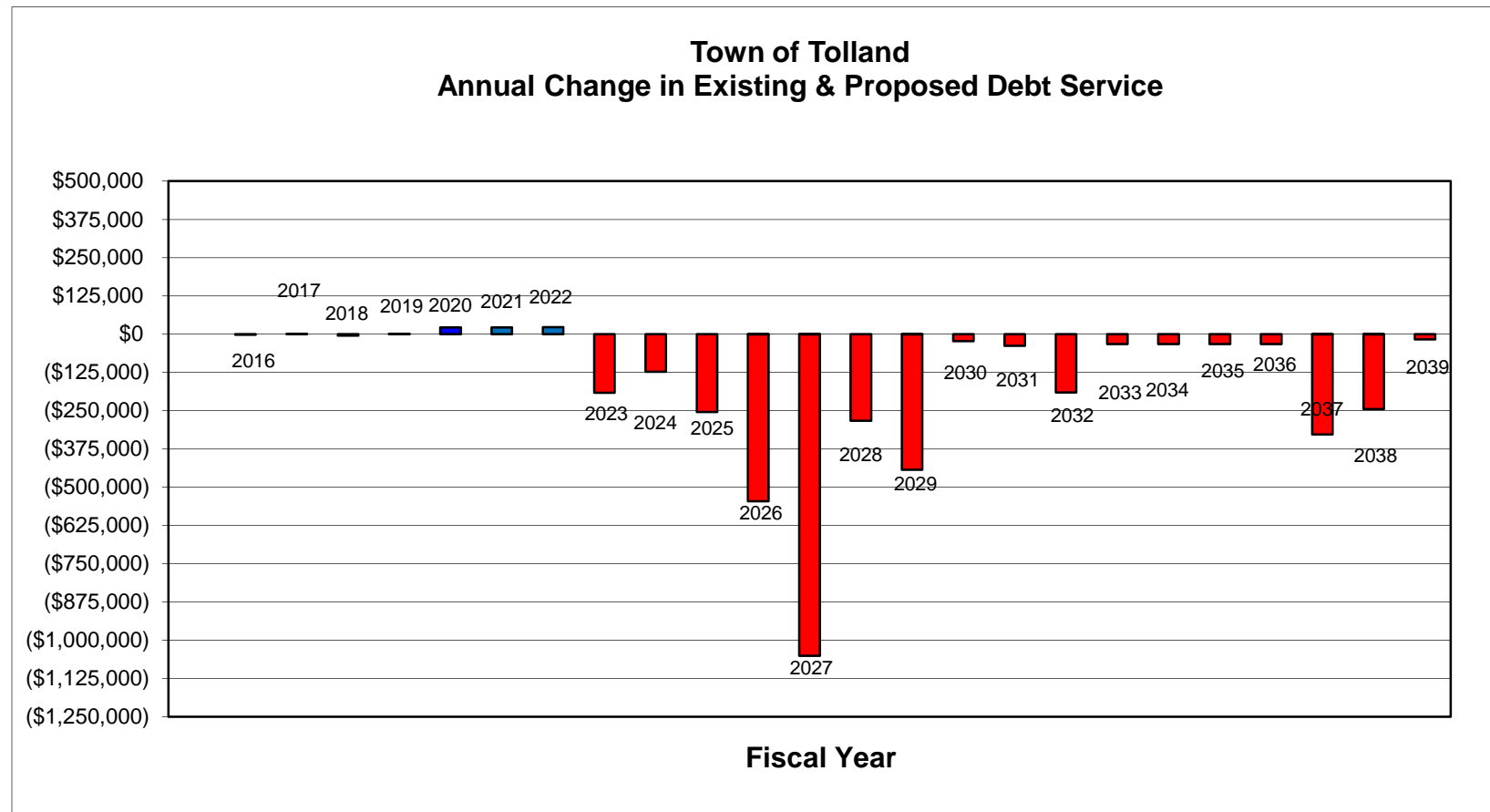


The Proposed Debt Issuance Plan makes the following assumptions:

- Bonds issues in are assumed to be issued at a rate of 3.00% with a final maturity of twenty years.
- Current Bond rates for Tolland are at 2.75%
- The proposed bond anticipation notes assume a net interest cost of 1%
- Current BAN rates for notes are about 0.50%
- Growth in the grand list was assumed at 0.75% per year



Annual Change (Increase or Decrease) in Debt Service



Summary Points

- Short-term interest rates remain at historically very low levels (under 0.25%) and so do long-term rates which remain very close to all-time lows.
- In October 2014 the Town refinanced bonds and saved approximately \$550,000 (net of all issuance costs).
- The Town has above average bond ratings – S&P rates the Town AAA. This will allow the Town to borrow at the lowest possible rate
- Fitch rates the Town AA+ and Moody's Aa2
- Some factors mentioned in the recent S&P report that justifies the AAA rating include: Very Strong Management Practices, Strong Budget Flexibility and Liquidity and Limited Pension and OPEB liabilities.
- The Town has formalized policies for Fund Balance, Debt Service and CIP
- 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 \$19,985,000 will have minimal impact on the Town's annual debt requirements