

Review of Proposed Debt Issuance Plan

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Financial Indicators

Town of Tolland, Connecticut
January 2012

Executive Summary

Existing and Authorized-But-Unissued Debt

As of June 30, 2012, the Town of Tolland will have outstanding gross tax-supported debt in the principal amount of \$54,571,571, not including sewer debt paid from assessments. Authorized-but-unissued debt includes the balance of the new high school project at \$43,727, \$370,338 for various open space projects, \$1,227,085 for various capital projects, \$617,000 for the sewer project, and \$1,762,936 for the Birch Grove School expansion, for a total of \$4,021,086.

Proposed Capital Projects

Actual and proposed capital projects for fiscal years ending 2011 through 2017 total \$6,726,938. See below for detailed listing of projects.

Proposed Capital Projects

2010/11 remaining capital projects	\$	100,000
2011/12 remaining capital projects	\$	276,738
2012/13 BOE projects	\$	659,000
2012/13 streets & roads		578,600
2012/13 public facilities		30,000
	\$	<u>1,267,600</u>
2013/14 capital equipment	\$	147,000
2013/14 streets & roads		1,201,300
	\$	<u>1,348,300</u>
2014/15 pavement management	\$	480,000
2014/15 Parker school boiler & roof		1,200,300
	\$	<u>1,680,300</u>
2015/16 town administration	\$	250,000
2015/16 Birch Grove Primary		100,000
2015/16 capital equipment		289,000
2015/16 pavement management		580,000
	\$	<u>1,219,000</u>
2016/17 Birch Grove Primary	\$	100,000
2016/17 Capital Equipment		155,000
2016/17 Pavement Management		580,000
	\$	<u>835,000</u>
Total Capital Projects	\$	<u><u>6,726,938</u></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 bonds issued within the next five years. The THS Field Lights borrowing for \$300,000 is included in the bond dated 9/1/14 but is not expected to impact the general fund debt service as it will be funded through private donations.

See below for details.

Fiscal Year 2012/13 CIP year 1

BAN #3B	Dated 9/15/12, due 9/14/13	2012/13 capital projects	\$	1,267,600
		2011/12 capital projects (façade, drainage)		276,738
		2010/11 capital projects remain drainage		100,000
				<u>1,644,338</u>
	Dated 9/15/12, due 9/14/13	THS Field Lights*		300,000
		BAN #3B Total	\$	1,944,338

Fiscal Year 2013/14 CIP year 2

BAN #4	Dated 9/14/13, due 9/13/14	Rollover of BAN #3B	\$	1,644,338
	Dated 9/14/13, due 9/13/14	2013/14 capital projects		<u>1,348,300</u>
			\$	2,992,638
	Dated 9/14/13, due 9/13/14	THS Field Lights*	\$	300,000
		BAN #4 Total		3,292,638

Fiscal Year 2014/15 CIP year 3

Bond #5	Dated 9/1/14, due 9/1/15-24	Rollover BAN #4	\$	2,992,638
	Dated 9/1/14, due 9/1/15-24	2014/15 pavement management		480,000
	Dated 9/1/14, due 9/1/15-24	THS Field Lights*		300,000
		issuance costs		<u>52,362</u>
			\$	3,825,000

Fiscal Year 2015/16 CIP year 4

BAN #5	Dated 9/15/15, due 9/14/16	2014/15 Parker School Boiler and Roof	\$	1,200,300
		2015/16 capital projects	\$	<u>1,219,000</u>
		BAN#5 Total	\$	2,419,300

Fiscal Year 2016/17 CIP year 5

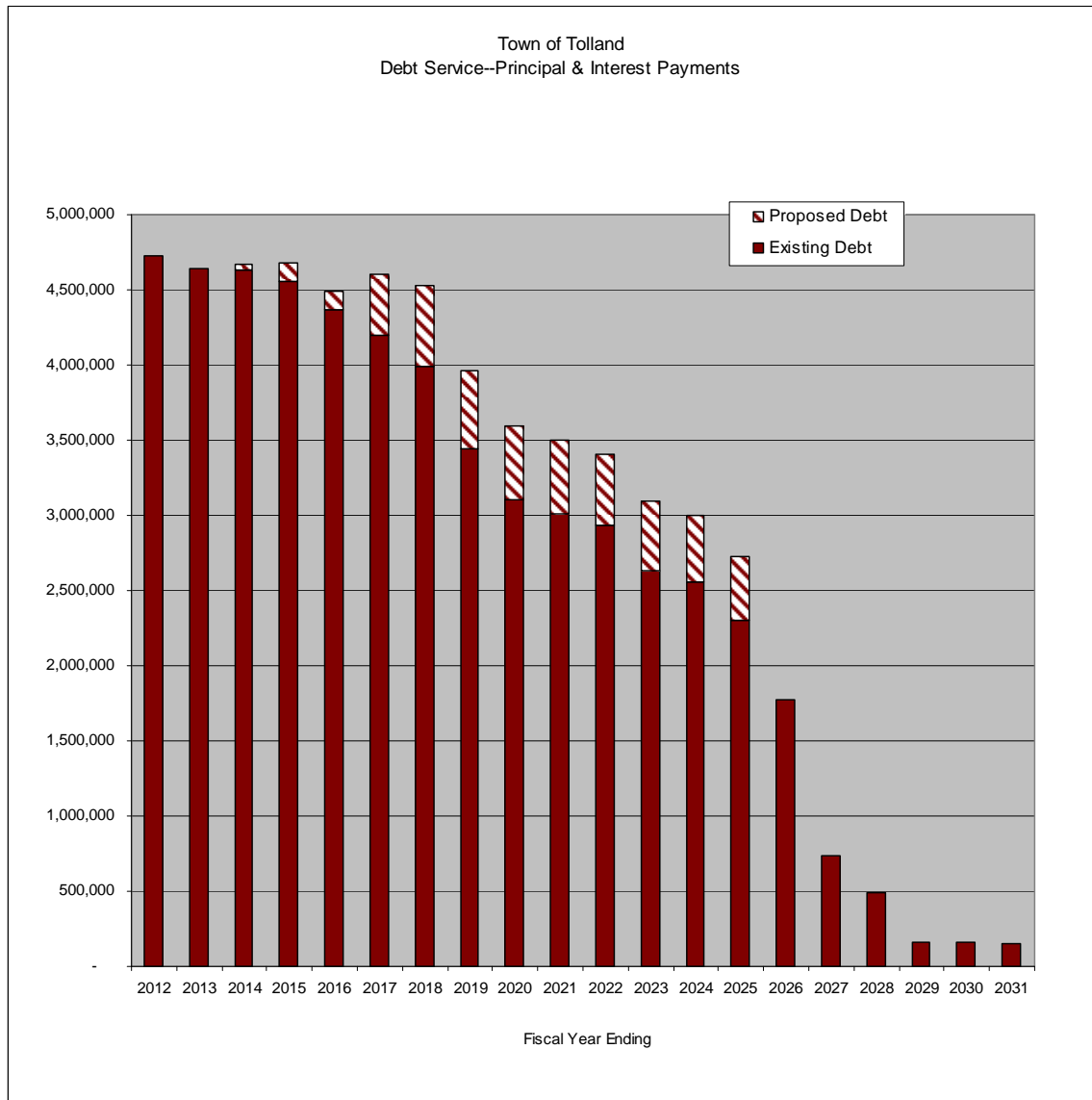
BAN #6	Dated 9/14/16, due 9/13/17	Rollover of BAN#5	\$	2,419,300
		2016/17 capital projects	\$	<u>835,000</u>
		BAN #6 Total	\$	3,254,300

Total Bonds Proposed	\$	3,825,000
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* THS Field Lights are expected to be financed through private donations.

Existing and Proposed Debt Service

The solid color represents the town's existing debt service, and the candy cane portion is what is proposed in this debt plan. The peak debt service year for existing debt for Tolland is in the current fiscal year of 2012. When proposed debt is taken into account, the peak year is 2015. Debt service remains steady until 2016 when there is a slight decrease, and then there is a sharp decline beginning in the FY2019. The decline will allow the Town the ability to fund more capital projects through debt service without significantly increasing the amount of money allocated each year to debt service payments. In the 2017 fiscal year the proposed debt service has been offset by \$188,390 of bond premium received.

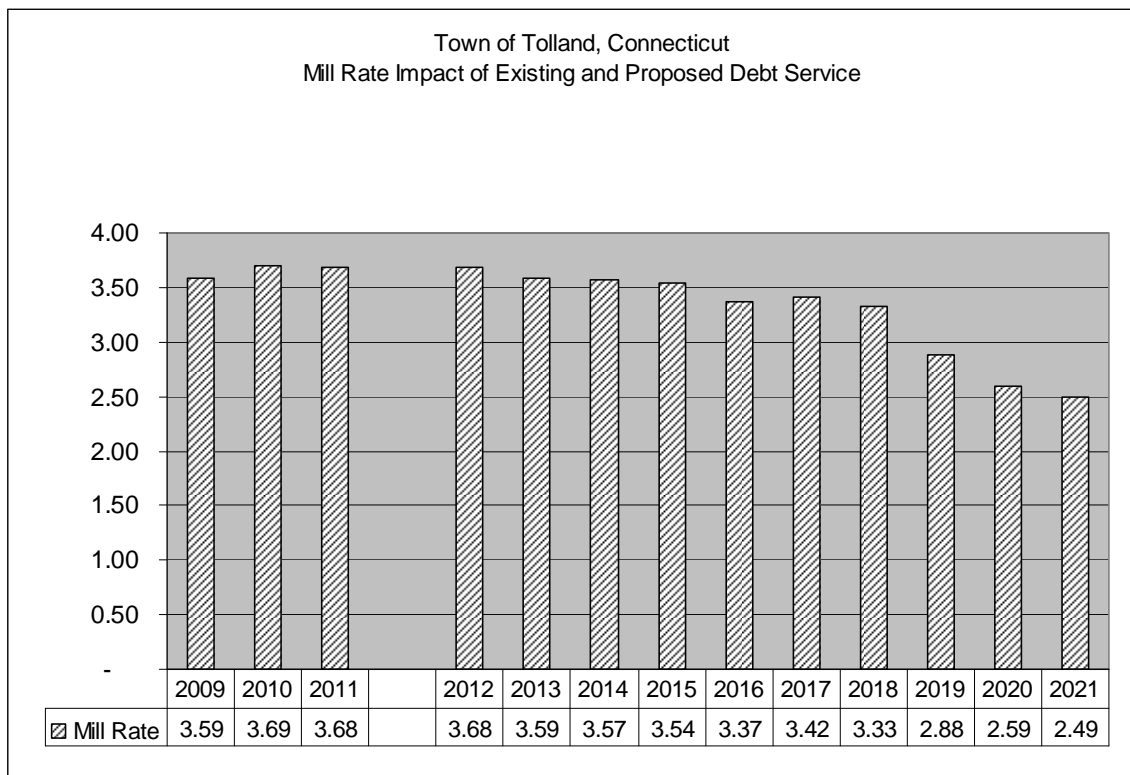


The Proposed Debt Issuance Plan makes the following assumptions:

- Bonds issued in fiscal year ending 2015 are assumed to be issued at a true interest cost of 3.25% with a final maturity of ten years. (Current market rates are about 2.5 to 2.35% for ten-year bonds).
- The proposed bond anticipation notes assume a net interest cost of 2% (Current market rates for notes are less than 1%).
- Growth in the grand list was assumed at 1% starting at fiscal year 2013 and going forward.

Mill Rate Impact

The mill rate impact for the Proposed Debt Issuance Plan does not increase the mill rate for debt service. The mill rate allocated to debt service is expected to decrease in the 2013 fiscal year by .09 with a gradual decline for the next 6 years to 3.33 mills in 2018.



Financial Indicators

Debt ratios are used by rating agencies to determine a municipality's credit rating and worthiness. Standard & Poor's rating agency categorizes the Town's debt burden as "low to moderate." Fitch Ratings reports the Town's debt position as "moderate" and "manageable."

Every year the Office of Policy and Management publishes "Municipal Fiscal Indicators," which showcase indicators related to debt, budget, and grand list information for each town in Connecticut. The most recent publication showed the average debt per capita for towns with populations between 10,000 and 30,000 at \$2,058. The same statistic for all towns in Connecticut was \$2,187. Tolland's debt per capita for the fiscal year 2012 is \$3,626. This is expected to decrease beginning in the 2013 fiscal year gradually sinking below \$2,000 per capita by fiscal year 2019.

The average annual debt service for towns in the 10,000 to 30,000 population range was \$5,017,955 and \$5,808,922 for all towns in Connecticut. By comparison, Tolland's annual debt service for the fiscal year 2012 is \$4,724,128. If the proposed debt plan is approved, the annual debt service will decrease to \$4,642,785 in the 2013 fiscal year, and decrease each year thereafter. This is still within the range of average as compared with other towns in Connecticut.

The follow charts show a projected trend of the Town's debt ratios should the Town carry out the financing strategy as proposed.

