

DEBT SERVICE

DEBT SERVICE

The Town has developed a Debt Management Plan which provides for relatively level debt service, while still funding those Capital projects that do not have alternative revenue sources other than the issuance of debt. The plan proposes a financing strategy that conforms to the 5-year Capital Improvements Program and projects debt service levels for future borrowing 20 years out. At a glance, the impact of issuing debt can be seen and planning can be done before the project is approved.

Account Code	Descriptions	2014-2015 Department Request	2014-2015 Manager Proposed	2014-2015 Adopted Budget
840-00	Debt Service	4,542,176	4,542,176	4,542,176
	Subtotal -- Debt Service	4,542,176	4,542,176	4,542,176

FUNCTION	ACTIVITY			PROGRAM			CODE
Finance and Records	Debt Services			Debt Services			840-00
Line Item Description	2010-2011 Actual	2011-2012 Actual	2012-2013 Actual	2013-2014 Adopted	2013-2014 Amended	2014-2015 Manager Proposed	2014-2015 Adopted Budget
PRINCIPAL	3,210,490	3,277,371	3,252,923	3,455,015	3,455,015	3,367,612	3,367,612
INTEREST	1,520,130	1,479,339	1,389,862	1,280,610	1,280,610	1,174,564	1,174,564
BOND PREMIUM AND INTEREST	0	(4,915)	0	0	0	0	0
OPERATING EXPENDITURES	4,730,620	4,751,795	4,642,785	4,735,625	4,735,625	4,542,176	4,542,176
TOTAL DEBT SERVICES	4,730,620	4,751,795	4,642,785	4,735,625	4,735,625	4,542,176	4,542,176

**PROGRAM 840-00
DEBT SERVICE GENERAL FUND**

	Actual 2011-2012	Actual 2011-2012	Actual 2012-2013	Adopted 2013-2014	Adopted 2014-2015
School Bond and Note Principal					
2005 Bonds Tolland High School (partially refunded 2012)	556,800	556,800	556,800	546,725	541,929
2005 Bonds Refunding 1998 bonds	575,000	575,000	570,000	580,000	580,000
2006 Bonds Tolland High School	384,630	384,630	384,630	384,630	384,630
2007 Bonds Tolland High School	92,400	92,400	95,200	100,800	105,000
2010 Bonds Tolland High School			83,750	83,750	84,160
2011 Bonds TIS HVACs roof, fiber-optic, TMS driveway, asbestos floor			144,300	109,200	170,000
2012 Bonds track resurfacing, lights THS field,				42,104	21,550
2012 refunding of 2004 and 2005 Tolland High School					269,300
General Fund Bond & Note Principal					
Vernon WTP Expansion	95,071	95,071	96,990	98,948	100,945
Vernon Sewer Line	32,300	32,300	27,600	29,400	
2005 Bonds Miscellaneous municipal projects (partially refunded 2012)	23,200	23,200	23,200	23,275	23,071
2006 Bonds Open Space	25,370	25,370	25,370	25,370	25,370
2007 Bonds Open Space	72,600	72,600	74,800	79,200	79,800
2008 Bonds Open Space and municipal projects	195,000	195,000	205,000	210,000	220,000
2010 Bonds Open Space			41,250	41,250	40,840
2011 Geothermal project lease net of subsidy			133,333	266,867	266,867
2011 Bond generator, truck, roads and Library roof, Open Space, Cross Farms			40,700	30,800	200,000
2012 Bonds Study of facilities, drainage, pavement parking and roads				57,896	78,450
2012 refunding of 2004 and 2005 Cross Farms and misc. projects					175,700
Total Principal	3,217,371	3,277,371	3,252,923	3,455,015	3,367,612
School Bond and Note Interest					
2005 Bonds Tolland High School	333,345	333,345	263,028	177,915	229,153
2006 Bonds Tolland High School	232,368	232,368	216,952	201,536	185,750
2007 Bonds Tolland High School	88,866	88,866	85,114	81,234	77,343
2010 Bonds Tolland High School & Open space	51,661	51,071	50,824	48,311	46,022
2011 Bonds TMS floor, TIS hvac roof, driveway and refunding 2003 Bonds Birch Grove School, THS		5,691	12,161	40,581	55,350
2012 Bonds track resurfacing, lights THS field,			7,727	14,863	7,178
2012 refunding of 2004 and 2005 Tolland High School			128,305	253,790	248,404
BANS					
General Fund Bond and Note Interest					
Vernon WTP Expansion	10,076	10,076	8,157	6,199	4,202
2005 Bonds Miscellaneous municipal projects	14,795	15,385	4,849	3,976	3,107
2006 Bonds Open Space	14,832	14,832	13,848	12,864	12,251
2007 Bonds Open Space	69,824	69,824	66,876	63,756	60,348
2008 Bonds Open space & capital projects-100%	58,688	58,688	52,688	46,463	39,737
2010 Bonds Open Space	25,445	25,445	25,032	23,795	22,334
2011 Geothermal project lease net of subsidy		57,708	57,708	54,502	50,227
2011 Bond generator, truck, roads and Library roof	114,880	20,175	43,117	11,446	48,378
2012 Bonds Study of facilities, drainage, pavement parking and roads			10,625	20,437	26,122
2012 refunding of 2004 and 2005 Cross Farms and misc. projects			27,431	54,260	50,746
Total Interest	1,539,340	1,446,757	1,394,523	1,280,610	1,166,652
Issuance cost/Decrease in subsidy 7.2		32,582		8,585	7912
Less bond premium & interest earnings	-4,915	(4,915)	(4,661)		
Total Principal and Interest	4,751,796	4,751,795	4,642,785	4,744,210	4,542,176

ALL FUNDS CHANGES IN INDEBTEDNESS FOR THE YEAR ENDING JUNE 30, 2014

	Issued	Matures	Original Amount	Beginning Balance	Paid	Ending Balance
School Bonds and Notes						
2004 Bonds Tolland High School	2004	12/2024	6,740,000	387,600	387,600	0
2005 Bonds Tolland High School	2005	9/2025	11,000,000	3,884,400	1,126,800	2,757,600
2005 Bonds Refunding Tolland High School	2005	9/2017	6,215,000	3,305,000		3,305,000
2006 Bonds Tolland High School	2006	8/2026	7,050,000	5,126,848	384,630	4,742,218
2007 Bonds Tolland High School	2007	9/2027	2,382,800	2,018,800	100,800	1,918,000
2010 Bonds Tolland High School	2010	8/2030	1,700,000	1,616,250	83,750	1,532,500
2011 Bonds TIS hvac roof, fiber-optic, TMS driveway, asbestos floor	2011	10/2022	1,514,760	1,474,060	30,800	1,443,260
2011 Refunding 2003 Bonds	2011	10/2024	1,147,896	1,024,632	89,880	934,752
2012 Bonds track resurfacing, lights THS field,	2012	9/2027	614,715	614,715	42,104	572,611
2012 Refunding 2004 and 2005 Bonds THS	2012	9/2025	0	7,864,500		7,864,500
Total School Bonds			38,365,171	27,316,805	2,246,364	25,070,441
General Fund Bonds and Notes						
Vernon Sewer Line	1996	9/2013	555,000	29,400	29,400	0
Vernon WTP Expansion	1997	1/2016	1,748,330	355,143	98,948	256,195
2004 Bonds Old Post Rd. sewer line, Cross Farms, capital equipment	2004	12/2024	3,260,000	182,400	182,400	0
2005 Bonds Miscellaneous municipal projects	2005	8/2025	445,000	185,600	23,200	162,400
2006 Bonds Open Space	2006	8/2026	1,965,000	338,152	25,370	312,782
2006 Sewer Bond	2006			1,050,000	90,000	960,000
2007 Bonds Open Space	2007	9/2027	1,872,200	1,586,200	79,200	1,507,000
2008 Bonds Open Space and municipal projects	2008	9/2018	2,010,000	1,425,000	210,000	1,215,000
2010 Bonds Open Space and municipal projects	2010	8/2030	825,000	783,750	41,250	742,500
2011 Bonds generator, truck, roads and Library roof	2011	10/2022	1,160,240	282,940	109,200	173,740
2011 Refunding 2003 Bonds	2011	10/2024	1,087,104	970,368	85,120	885,248
2011 Sewer Bond				693,000	60,000	633,000
2012 Bonds Study of facilities, drainage, pavement parking and roads	2012	9/2025	845,285	845,285	57,896	787,389
2012 refunding of 2004 and 2005 Cross Farms and misc. projects	2012	9/2027	0	160,500		160,500
2011 Geothermal project lease net of subsidy	2011	6/2014	3,600,000	3,466,667	266,667	3,200,000
Total Town Government			19,373,159	12,354,405	1,358,651	10,995,754
Total Indebtedness All Sources			57,738,330	39,671,210	3,605,015	36,066,195

Note this includes Sewer indebtedness on the amount of \$1,593,000.

Existing Debt Service General Fund Only

Fiscal Year	1997CWF		2005 after 2012 Refunding		2006 net of sewer		2007		2008		2010		2011 Energy Lease		2011		2012A		2012B		Total Existing Principal	Total Existing Interest	TOTAL Existing Debt Service	Annual Change in Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest					
2014																									
2015	100,945	4,202	1,145,000	232,281	410,000	198,000	195,000	137,890	220,000	39,738	125,000	68,356	266,667	50,227	370,000	103,728	100,000	33,300	445,000	299,150	3,367,612	1,166,652	4,534,264	4,534,264	
2016	102,983	2,164	1,135,000	189,228	405,000	181,700	195,000	130,090	230,000	32,138	125,000	65,856	266,667	45,953	370,000	94,015	100,000	31,300	340,000	285,150	3,269,649	1,057,593	4,327,242	(207,02)	
2017	52,268	305	1,130,000	143,650	400,000	219,850	200,000	121,940	245,000	23,978	125,000	63,356	266,667	41,678	360,000	83,065	100,000	29,300	490,000	272,700	3,368,935	998,822	4,368,757	41,51	
2018	-	-	1,075,000	96,794	400,000	145,600	210,000	112,440	255,000	15,222	125,000	60,544	266,667	37,403	360,000	74,965	100,000	27,300	485,000	258,075	3,276,667	828,342	4,105,009	(263,74)	
2019	-	-	580,000	61,625	400,000	129,600	220,000	102,900	265,000	5,300	125,000	57,263	266,667	33,129	395,000	64,365	100,000	25,550	485,000	241,100	2,836,667	720,831	3,557,497	(547,51)	
2020	-	-	580,000	36,975	400,000	113,600	230,000	94,068	-	-	125,000	53,825	266,667	28,854	400,000	48,465	100,000	23,800	485,000	224,125	2,586,667	623,711	3,210,378	(347,12)	
2021	-	-	580,000	12,325	400,000	97,600	235,000	84,825	-	-	125,000	50,231	266,667	24,579	400,000	32,485	95,000	21,375	480,000	207,250	2,581,667	530,650	3,112,317	(98,06)	
2022	-	-	-	-	400,000	81,600	245,000	75,225	-	-	125,000	46,481	266,667	20,305	402,000	17,932	95,000	18,525	1,065,000	171,025	2,598,667	431,093	3,029,760	(82,55)	
2023	-	-	-	-	400,000	65,600	255,000	65,161	-	-	125,000	42,731	266,667	16,030	190,000	8,550	95,000	15,675	1,060,000	117,900	2,391,667	331,648	2,723,314	(306,44)	
2024	-	-	-	-	400,000	49,600	265,000	54,631	-	-	125,000	38,903	266,667	11,755	190,000	2,850	95,000	12,825	1,070,000	70,000	2,411,667	240,565	2,652,231	(71,09)	
2025	-	-	-	-	400,000	33,600	280,000	43,490	-	-	125,000	34,919	266,667	7,481	-	-	95,000	9,975	1,055,000	32,775	2,221,667	162,239	2,383,906	(268,32)	
2026	-	-	-	-	400,000	17,600	290,000	31,698	-	-	150,000	30,358	266,667	3,206	-	-	95,000	7,125	565,000	8,475	1,766,667	98,460	1,865,126	(518,78)	
2027	-	-	-	-	-	4,800	300,000	19,455	-	-	150,000	25,200	-	-	-	-	95,000	-	-	-	785,000	53,730	838,730	(1,026,39)	
2028	-	-	-	-	-	-	315,000	6,615	-	-	150,000	19,875	-	-	-	-	95,000	1,425	-	-	560,000	27,915	587,915	(250,81)	
2029	-	-	-	-	-	-	-	-	-	-	150,000	14,400	-	-	-	-	-	-	-	-	150,000	14,400	164,400	(423,51)	
2030	-	-	-	-	-	-	-	-	-	-	150,000	8,813	-	-	-	-	-	-	-	-	150,000	8,813	158,813	(5,58)	
2031	-	-	-	-	-	-	-	-	-	-	150,000	3,000	-	-	-	-	-	-	-	-	150,000	3,000	153,000	(5,81)	
2032	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	256,196	6,672	6,225,000	1,002,011	5,055,000	1,524,499	3,425,000	1,157,570	1,215,000	116,375	2,275,000	730,131	3,200,000	320,600	3,437,000	585,747	1,360,000	268,928	8,025,000	2,436,129	34,473,196	7,299,463	41,772,659		
Town Principal	100,945		23,071.00		25,370.00		80,000.00		220,000		40,840		266,667		200,000		78,450		175,700		1,211,043		1,211,043	Town Principal	
BOE Principal			1,121,929.00		384,630.00		105,000.00				84,160				170,000		21,550		269,300		2,156,569		2,156,569	BOE Principal	
				0.020		0.06		0.43		1.00		0.33			0.54		0.78		0.17		-		-	-	-
				0.98		0.94		0.57				0.67			0.46		0.22		0.83						
Town Interest	4,201.94		4,679.91		12,251.38		60,347.50		39,737.52		22,334.40		50,227.35		48,377.50		26,122.06		50,746.00		319,026		319,025.56	Town Interest	
BOE Interest			227,581.34		185,748.62		77,342.50				46,021.86				55,350.00		7,177.96		248,404.00		647,626		647,626.28	BOE Interest	
																									4,534,264

Summary of Debt Management Policy

- The Town may issue debt by resolution of the Town Council up to 5% of the current tax levy. If the debt issue exceeds that threshold then it must be approved by referendum.
- Bond Anticipation Notes may be used to provide interim cash flow, facilitate the timing of bond sales, finance less significant borrowing needs, avoid locking in high long-term interest rates during periods of market turmoil or finance projects whose final cost is uncertain or is expected to be mitigated by grants or investment earnings. Long-term borrowing will be confined to capital projects and will not fund current operations.
- Bonds will be structured to match the useful life of the capital improvement but not exceed 20 years in accordance with CGS. The Town will issue \$10 million or less in tax exempt securities per calendar year to receive “Bank Qualified” status to minimize interest rates to be paid.
- Debt obligations are generally issued through competitive sale. However, if conditions provide that a negotiated sale would provide significant benefits to the Town then the Town Council may approve that method of sale.
- The Town Manager and the Finance Director will analyze the Town’s debt position by using the following measures and report the results annually to the Town Council as part of the Debt Management Plan presentation.
 - ✓ “Debt measured against population on a per capita basis” to be capped at \$3,800. Tolland is at \$2870 for 2014/2015 with a five-year projected average of \$2,733.
 - ✓ “General Fund bonded debt as a percentage of full market value” to be capped at 4%. Tolland is in 2014-15 at 2.43%.
 - ✓ “General Fund debt service as a percentage of total General Fund expenditures” to be capped at 10%. Tolland is estimated at 8.54%.

Statutory Debt Limitation

Under Connecticut law, municipalities shall not incur indebtedness through the issuance of bonds or notes 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

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, and late payment of taxes) and state payments from revenue loss under Connecticut General Statutes (CGS) Sections 12-129d and 7-528.

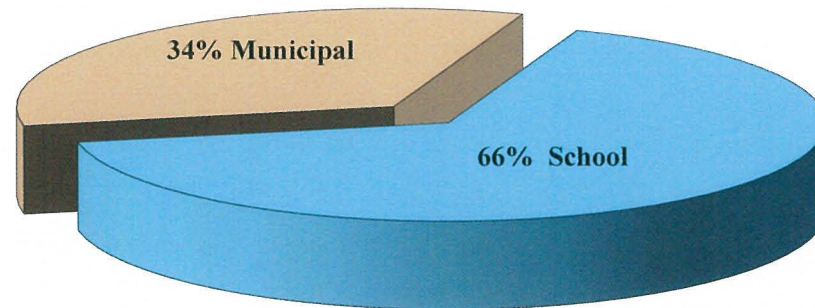
The CGS also provides for exclusion from the debt limit calculation debt issued in anticipation of taxes for the supply of water, gas, and electricity. There are additional exclusions for indebtedness issued in anticipation of receipt of proceeds from assessments levied upon property benefited by any 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.

Computation of Legal Debt Margin

Total Tax Collections (Including Interest and Lien Fees) for June 30, 2013	\$ 39,048,031
Reimbursement for Revenue Loss (Tax relief for elderly freeze)	<u>0</u>
Base for Debt Limitation Computation	\$ 39,048,037
Seven times the base for debt limitations	\$273,336,217
Tolland’s Total Net Indebtedness	\$ 37,096,155

Sixty-six percent of the debt obligation is for School needs which include building the new High School, renovations of the Middle School and other capital improvements. Thirty-four percent of the debt obligation is for Municipal needs such as Open Space acquisitions and other capital improvements.

DEBT SERVICE FOR BUDGET YEAR 2015
\$4,542,176.



Used for school related bonding:

2005 Bonds Miscellaneous municipal projects (partially refunded 2012)
2006 Bonds Tolland High School
2010 Bonds Tolland High School
2011 Bonds Tolland High School
2011 Bonds TMS floor, TIS hvac roof, driveway
2012 Bonds track resurfacing, lights THS field,

Used for Town related bonding:

2007 Bonds Open Space
2008 Bonds Open Space
2010 Bonds Open Space
2011 Bond generator, truck roads and Library roof
2011 Geothermal project lease net of subsidy
2012 Bonds Study of facilities, drainage, pavement parking and roads

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. Below represents the **Proposed Capital Improvements** emphasizing the connection between a scheduled major capital project and the timing of the borrowing

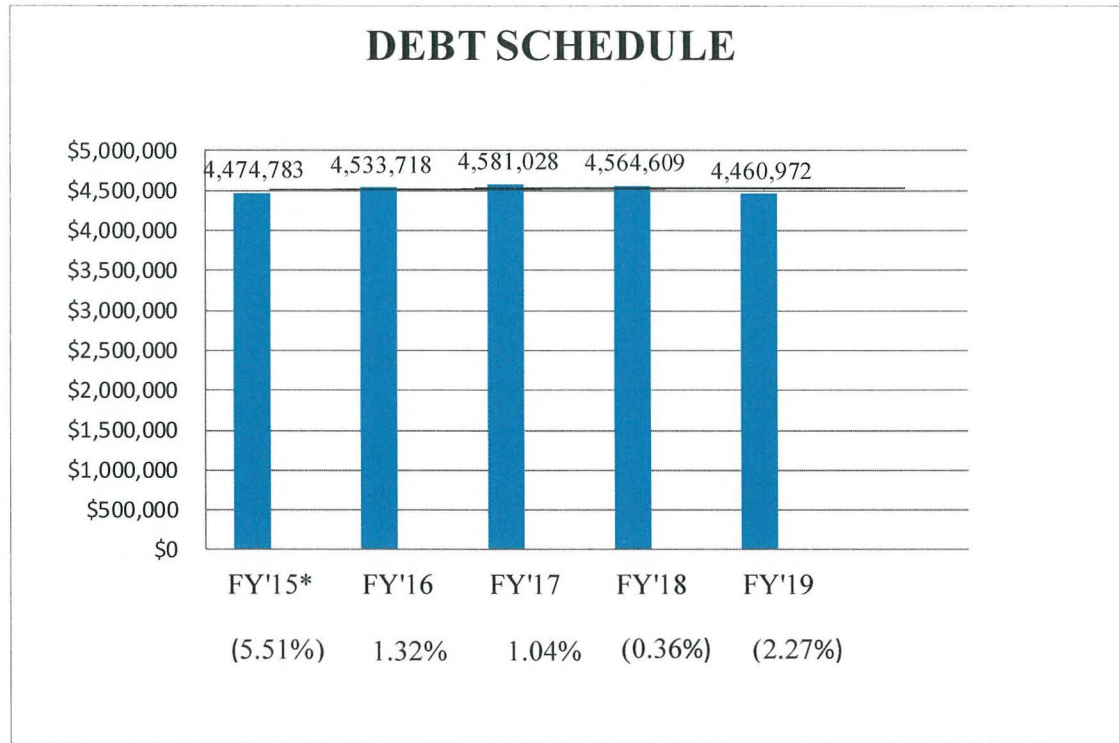
	Remaining Authorized But Unissued	Capital Needs From CIP Plan 3/4/2013	Borrowing Assumption
Year 1 - FY 2014-15	\$ 3,913,025	\$ 1,849,430	BAN
Year 2 - FY 2015-16	1,276,300	1,399,287	Bond
Year 3 - FY 2016-17	1,000,000	532,014	BAN
Year 4 - FY 2017-18	1,000,000	613,014	BAN
Year 5 - FY 2018-19	-	927,014	Bond
Year 6 - FY 2019-20	365,000		Bond
	<u>\$ 7,554,325</u>	<u>\$ 5,320,759</u>	<u>\$ 12,875,084</u>

Note -does not include Public Works Facility, Fire Facility and Parker School demolition.

Year 2015:

Fiber Project	300,000	
TIS Façade	216,738	195,923
Bucket Loader	169,000	
Truck 6	147,000	
Pavement	335,287	
Road Bond	2,000,000	
Library	745,000	
Town Wide Fiber		741,000
Truck 35 and 23 Body		270,000
Drainage		100,000
Roads		410,507
BOE Security Improvements		132,000
Total	<u>3,913,025</u>	<u>1,849,430</u>

Comparative Debt service expenditure level for the next 5 years



*There will be an amount applied towards the debt service costs from previous bond premium receipts. A total of \$59,680 will be applied against FY 2014/2015 and will offset the impact of taxation. This percentage is not net of the bond premium application. The dollar values displayed are based on 100% of the principal and interest costs and do not include the application of the bond premium against expenditures.

Financial Indicators

Debt ratios are used by rating agencies to determine a municipality’s credit rating and worthiness. Standard and 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.” The following charts show a trend analysis of the Town’s debt ratios the past year, current year, and projected years. The Town bond rating is AAA from S & P and AA + Fitch.

