

DEBT SERVICE

The Town has developed a Debt Management Plan which in most years 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. In 2015, the Town Council established a Debt Service Fund to build reserves to strategically offset future debt impact on the budget as part of the debt management plan.

Account Code	Descriptions	2015-2016 Department Request	2015-2016 Manager Proposed	2015-2016 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	2011-2012 Actual	2012-2013 Actual	2013-2014 Actual	2014-2015 Adopted	2014-2015 Amended	2015-2016 Manager Proposed	2015-2016 Adopted Budget	% Increase Over Adopted
PRINCIPAL	3,277,371	3,252,923	3,455,015	3,367,612	3,367,612	3,302,267	3,302,267	
INTEREST	1,479,339	1,389,862	1,289,195	1,174,564	1,075,564	1,239,909	1,239,909	
BOND PREMIUM AND INTEREST	(4,915)	0	0	0	0	0	0	
DEBT ISSUANCE COST	0	0	0	0	0	0	0	
TRANSFER OUT	0	0	0	0	99,000	0	0	
OPERATING EXPENDITURES	4,751,795	4,642,785	4,744,210	4,542,176	4,542,176	4,542,176	4,542,176	
TOTAL DEBT SERVICES	4,751,795	4,642,785	4,744,210	4,542,176	4,542,176	4,542,176	4,542,176	0.00%

PROGRAM 840-00					
DEBT SERVICE GENERAL FUND					
	Actual	Adopted	Adopted	Amended	Proposed
	2012-2013	2013-2014	2014-2015	2014-2015	2015-2016
<i>School Bond and Note Principal</i>					
2005 Bonds Tolland High School (partially refunded 2012)	1,150,000	1,150,000	1,145,000	1,145,000	1,135,000
2006 Bonds Tolland High School	384,630	384,630	384,630	385,400	379,940
2007 Bonds Tolland High School	95,200	100,800	105,000	105,450	
2010 Bonds Tolland High School	83,750	83,750	84,160	83,750	84,160
2011 refunding of 2003 Bonds Birch Grove School addition, Tolland High School -see combine below	92,448	89,680			
2011 Bonds TIS HVACs roof, fiber-optic, TMS driveway, asbestos floor	144,300	109,200	170,000	170,200	170,000
2012 Bonds track resurfacing, lights THS field,		42,104	21,550	21,550	21,550
2012 refunding of 2004 and 2005 Tolland High School			269,300	369,350	248,000
2014 Refunding of 2005, 2006, 2007					62,050
<i>General Fund Bond & Note Principal</i>					
Vernon WTP Expansion	96,990	98,948	100,945	100,945	102,983
Vernon Sewer Line	27,600	29,400			
2004 Bonds Old Post sewer line, Cross Farms, capital equipment (partially refunded 2012)	215,000	215,000			
2006 Bonds Open Space	25,370	25,370	25,370	24,600	25,060
2007 Bonds Open Space	74,800	79,200	79,800	79,550	
2008 Bonds Open Space and municipal projects	205,000	210,000	220,000	220,000	230,000
2010 Bonds Open Space	41,250	41,250	40,840	41,250	40,840
2011 Geothermal project lease net of subsidy	133,333	266,667	266,667	266,667	266,666
2011 Bond generator, truck, roads and Library roof, Open Space, Cross Farms	128,252	116,120	200,200	199,800	200,000
2012 Bonds Study of facilities, drainage, pavement parking and roads		57,896	78,450	78,450	78,450
2012 refunding of 2004 and 2005 Cross Farms and old sewer projects			175,700	75,650	92,000
2014 Refunding of 2005, 2006, 2007				-	47,950
Total Principal	3,252,923	3,455,015	3,367,612	3,367,612	3,184,649
<i>School Bond and Note Interest</i>					
2004 Bonds Tolland High School	42,519	4,300			
2005 Bonds Tolland High School	376,932	271,316	229,153	179,302	90,628
2005 Bonds Refunding 1998 bonds					
2006 Bonds Tolland High School (partially refunded 2014)	216,952	201,536	185,750	113,928	26,361
2007 Bonds Tolland High School (partially refunded 2014)	85,114	81,234	77,343	43,289	5,750
2010 Bonds Tolland High School & Open space	50,824	48,311	46,022	45,799	44,339
2011 Bonds TMS floor, TIS hvac roof, driveway and refunding 2003 Bonds Birch Grove School, THS	44,293	70,890	55,350	47,715	50,888
2012 Bonds track resurfacing, lights THS field,	7,727	14,863	7,178	7,326	6,747
2012 refunding of 2004 and 2005 Tolland High School	128,305	253,790	248,404	248,295	239,298
2014 Refunding of 2005, 2006, 2007				74,038	269,061
<i>General Fund Bond and Note Interest</i>					
Vernon WTP Expansion	8,157	6,199	4,202	4,202	2,164
Vernon Sewer Line	3,349	867			
2004 Bonds Old Post sewer line, Cross Farms, capital equipment	97,747	7,100			
2006 Bonds Open Space	13,848	12,864	12,251	7,272	1,739
2007 Bonds Open Space (partially refunded 2014)	66,876	63,756	60,348	32,656	4,750
2008 Bonds Open space & capital projects-100%	52,688	46,463	39,737	39,737	32,138
2010 Bonds Open Space	25,032	23,795	22,334	22,558	21,518
2011 Geothermal project lease net of subsidy	57,708	54,502	50,227	58,249	53,292
2011 Bond generator, truck, roads and Library roof	73,548	40,150	48,378	56,013	43,128
2012 Bonds Study of facilities, drainage, pavement parking and roads	10,625	20,437	26,122	25,974	24,553
2012 refunding of 2004 and 2005 Cross Farms and misc. projects	32,280	58,236	53,853	54,515	45,852
2014 Refunding of 2005, 2006, 2007				14,771	52,781
Total Interest	1,394,523	1,280,609	1,166,652	1,075,639	1,014,984
Issuance cost/Decrease in subsidy		8,585	7,912		
Less bond premium & interest earnings	(4,661)				
Total Principal and Interest	4,642,785	4,744,209	4,542,176	4,443,251	4,199,633
Proposed Bond Issue Interest and BAN Interest					224,925
Contribution to Debt Service Fund				99,000	117,618
Total Debt	4,642,785	4,744,209	4,542,176	4,542,251	4,542,176

ALL FUNDS CHANGES IN INDEBTEDNESS FOR THE YEAR ENDING JUNE 30, 2015

	Issued	Matures	Original Amount	Beginning Balance	Refunded	Issued/ Refunding	Paid	Ending Balance
School Bonds and Notes								0
2005 Bonds Tolland High School	2005	9/2025	11,000,000	2,757,600	1,055,000			1,702,600
2005 Bonds Refunding Tolland High School	2005	9/2017	5,843,866	3,305,000	1,190,334		1,122,100	992,566
2006 Bonds Tolland High School	2006	8/2026	7,050,000	4,742,218	3,602,398		385,400	754,420
2007 Bonds Tolland High School	2007	9/2027	2,382,800	1,918,000	1,698,000		105,450	114,550
2010 Bonds Tolland High School	2010	8/2030	1,700,000	1,532,500			83,750	1,448,750
2011 Bonds TIS hvac roof, fiber-optic, TMS driveway, asbestos floor	2011	10/2022	1,514,760	1,443,260			170,200	1,273,060
2011 Refunding 2003 Bonds	2011	10/2024	1,147,896	934,752			22,000	912,752
2012 Bonds track resurfacing, lights THS field,	2012	9/2027	614,715	572,611			369,350	203,261
2012 Refunding 2004 and 2005 Bonds THS	2012	9/2025	0	7,864,500				7,864,500
2014 Refunding 2005, 2006,2007	2014	8/2027	7,517,285			7,517,285		7,517,285
Total School Bonds			38,771,322	25,070,441	7,545,732	7,517,285	2,258,250	22,783,744
General Fund Bonds and Notes								
Vernon WIP Expansion	1997	1/2016	1,748,330	256,195			100,945	155,250
2005 Bonds Miscellaneous municipal projects	2005	9/2025	371,134	162,400	73,866		22,900	65,634
2006 Bonds Open Space	2006	8/2026	1,965,000	312,782	237,602		24,600	50,580
2006 Sewer Bond	2006	9/2006		960,000	625,000		90,000	245,000
2007 Bonds Open Space	2007	9/2027	1,872,200	1,507,000	1,332,800		79,550	94,650
2008 Bonds Open Space and municipal projects	2008	9/2018	2,010,000	1,215,000			220,000	995,000
2010 Bonds Open Space and municipal projects	2010	8/2030	825,000	742,500			41,250	701,250
2011 Bonds generator, truck, roads and Library roof	2011	10/2022	1,160,240	173,740				173,740
2011 Refunding 2003 Bonds	2011	10/2024	1,087,104	885,248			199,800	685,448
2011 Sewer Bond				633,000			50,000	583,000
2012 Bonds Study of facilities, drainage, pavement parking and roads	2012	9/2025	845,285	787,390			78,000	709,390
2012 refunding of 2004 and 2005 Cross Farms and misc. projects	2012	9/2027	0	160,500			75,650	84,850
2014 Refunding Sewer	2014	8/2021	618,000			618,000		618,000
2014 Refunding Municipal Projects	2014	8/2027	1,499,715			1,499,715		1,499,715
2011 Geothermal project lease net of subsidy	2011	6/2014	3,600,000	3,200,000			266,667	2,933,333
Total Town Government			17,602,008	10,995,755	2,269,268	2,117,715	1,249,362	9,594,840
Total Indebtedness All Sources			56,373,330	36,066,196	9,815,000	9,635,000	3,507,612	32,378,584

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 \$2,062 for 2015/2016 with a five-year projected average of \$2,333.
 - ✓ *“General Fund bonded debt as a percentage of full market value”* to be capped at 4%. Tolland is in 2015-16 at 1.73%.
 - ✓ *“General Fund debt service as a percentage of total General Fund expenditures”* to be capped at 10%. Tolland is estimated at 8.3%.

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

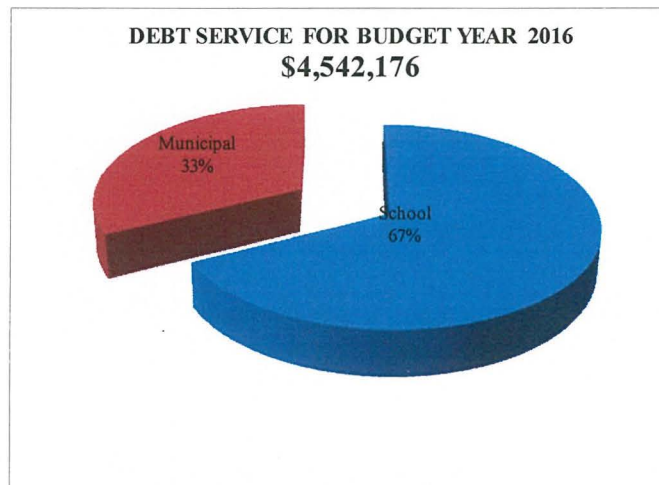
In no case, however, shall total indebtedness exceed seven times the base. “Annual receipts from taxation” (the “base”) are defined as total tax collections (including interest, and late payment of taxes) and state payments from revenue loss under Connecticut General Statutes (CGS) Sections 12-129d and 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, 2014	\$ 39,480,811
Reimbursement for Revenue Loss (Tax relief for elderly freeze)	_____0
Base for Debt Limitation Computation	\$ 39,480,811
Seven times the base for debt limitations	\$276,365,677
Tolland’s Total Net Indebtedness	\$ 37,193,008

Sixty-eight 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-two percent of the debt obligation is for Municipal needs such as Open Space acquisitions and other capital improvements.

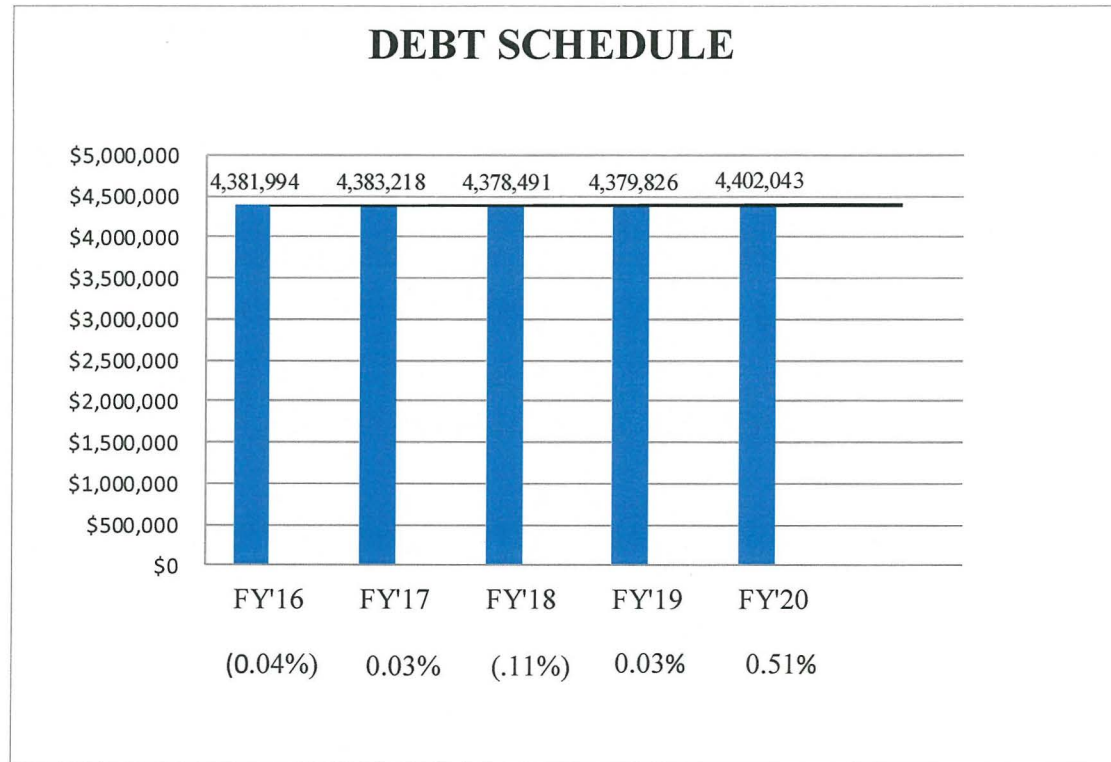


Proposed Debt Issuance Plan

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 Not Issued	Capital Needs From CIP	Total Needs	Borrowing Assumption
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		

Comparative Debt service expenditure level for the next 5 years with the proposed debt management plan assumptions



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.

