Financial Expectations

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Overview

- Overview of municipal bonds
- Current bond rating
- History of debt
- Debt Capacity
- Estimated debt schedules

Bonds 101

What is a Municipal Bond?

A municipal bond is a debt security issued by a public entity to finance (new money) or refinance (refunding) capital expenditures. Similar to a mortgage. The Town takes money from a lender and agrees to pay it back over time with interest.

Who issues bonds?

*States	*State Authorities	*Counties
*Cities/Towns	*School Districts	*501-c-3 Organizations

Who regulates the bonds?

MSRB administers regulations by SEC in relations to Municipal Bonds.

Bonds 101

- Officially the first recorded municipal bond, a general obligation bond was issued by the City of New York for a canal in 1812
- There are over 80,000 issuers of municipal bonds in the United States
- Aggregate state par issuance volume at $7.016 billion for 2014
- 12,441 municipal bond issues in 2014
- Par value $357 billion
- Average issue size $28.7 million
- Total outstanding municipal bonds $3.631 trillion

Credit Ratings

- Three major Rating agencies provide ratings on municipal debt:

Moody's Corporation

STANDARD & POOR'S RATINGS SERVICES

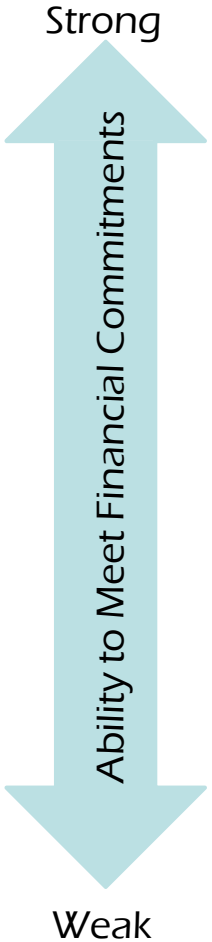
FitchRatings

- Most long-term ratings carry on "outlook"
  - Positive
  - Negative
  - Stable

Current Rating (July 2013)

AA+ (Stable outlook)

Rating Categories



AAA/Aaa	Highest rating category. Extremely strong confidence in meeting financial commitments.
AA/Aa	Small degree of difference from AAA. Strong confidence level.
A/A	Somewhat more susceptible to changes in circumstances and economy.
BBB/Baa	More susceptible to changes in circumstances and economy, but still exhibit adequate protection parameters.
BB/Ba and below	Highly impacted by adverse business, financial, or economic conditions. Significant speculative characteristics.

Assign ratings based on the assessment and scoring of seven key factors

- Institutional framework;
- Economy;
- Management;
- Budgetary flexibility;
- Budgetary performance;
- Liquidity; and
- Debt and contingent liabilities.

Debt Summary 2005 and 2014

Fiscal Year	Outstanding Debt	Outstanding Debt Per Capita	Debt Service Per Capita	Debt Service as a % of budget
2005	$ 10,375,000	$ 880	$ 181	6.6%
2014	$ 8,250,000	$ 635	$ 83	2.7%

Debt Capacity
Two components (Debt limits & Debt Affordability)

- Debt limits (Legal limit set by C.G.S. 7-374)

Category	Debt Limit	Net Indebtedness	Balance
General purpose	$ 67,866,543	$ 6,497,000	$ 61,369,543
Schools	135,733,086	1,609,727	134,123,359
Sewers	113,110,905	210,572	112,900,333
Urban renewal	98,029,451	-	98,029,451
Pension Deficit	90,488,724	-	90,488,724

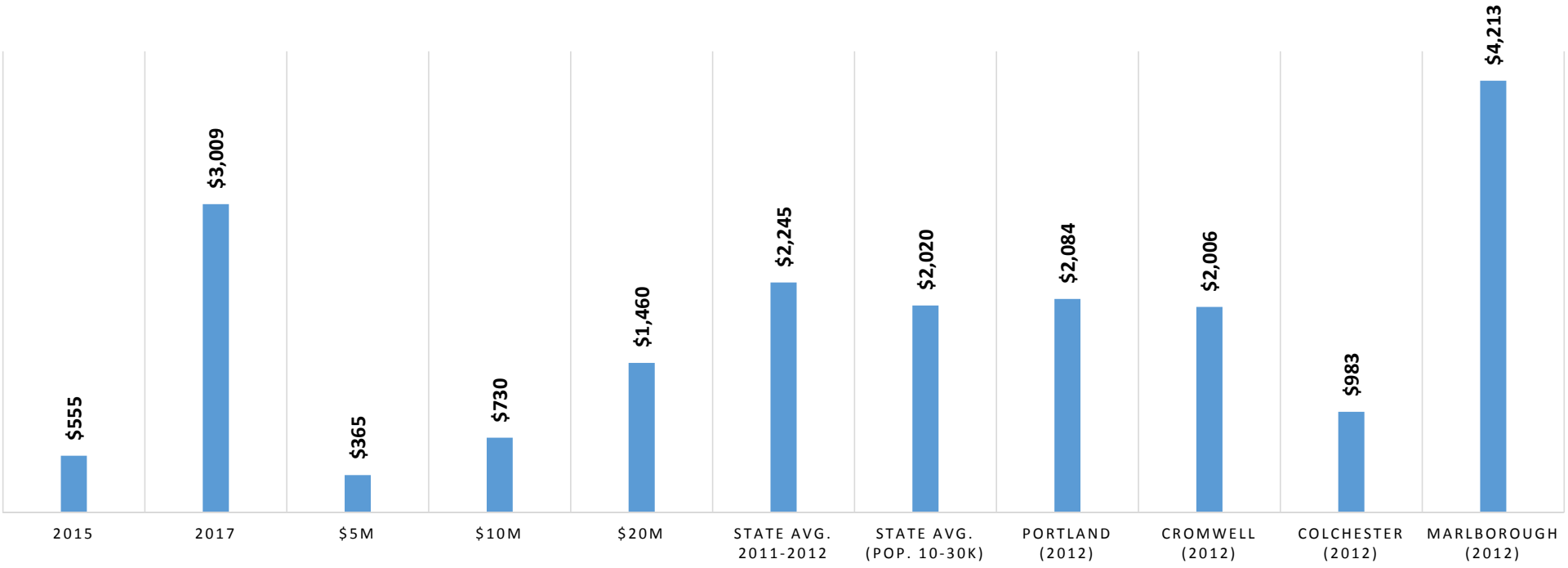
Total overall limitation is $ 211,140,356

DEBT CAPACITY

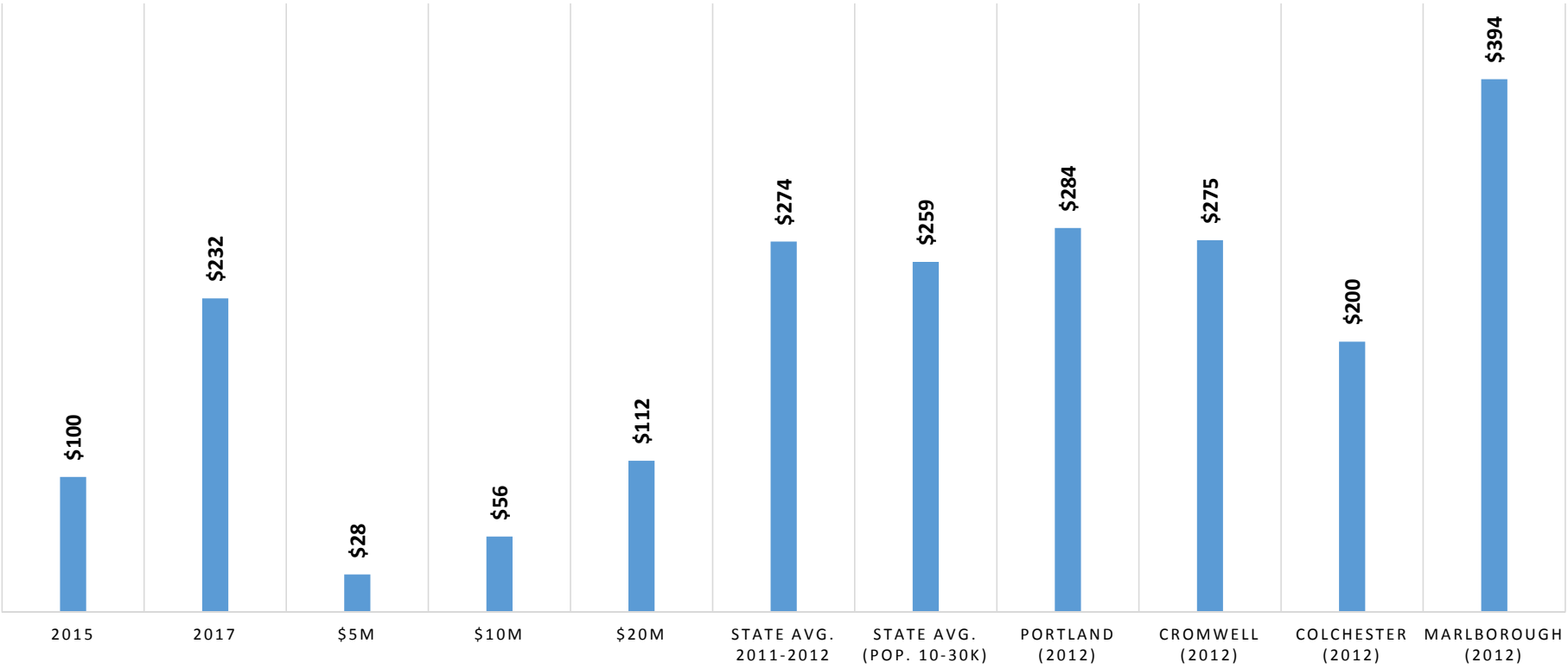
Debt Affordability (The Town's future ability to pay down debt)

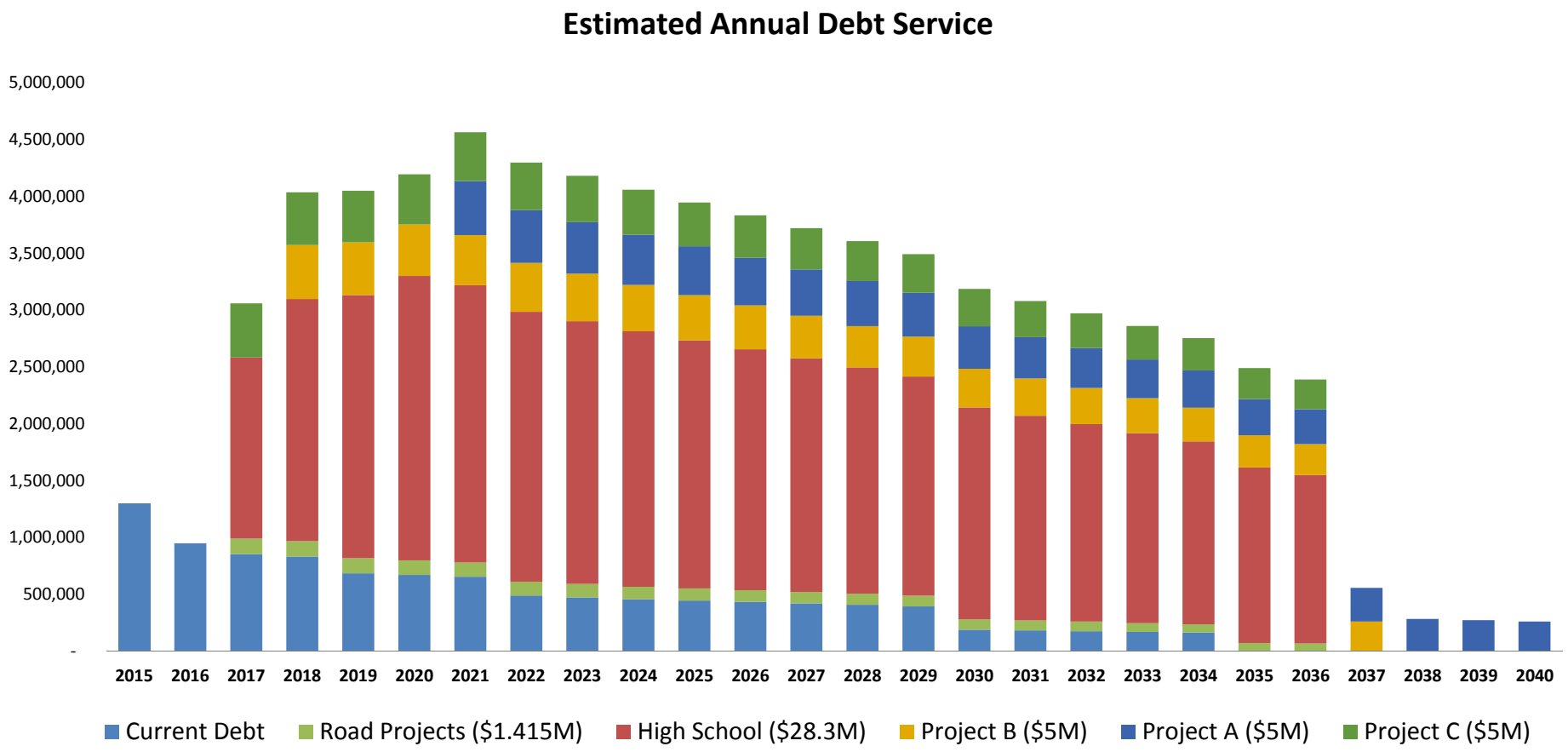
Debt Burden Indicator	Definition	Standard & Poor's
Debt as a percentage of Full Valuation	A ratio of total direct debt to the full valuation of the most recent completed grand list.	• Low - Below 3% • Moderate - 3%-6% • Moderately High - 6%-10% • High - Above 10%
Debt per capita	This ratio measures net debt to population.	• Very Low - Below $1,000 • Low - $1,000-$2,000 • Moderate - $2,000-$5,000 • High – Above $5,000
Debt Service Indicators		
Annual net debt service as a percentage of total General Fund expenditures (including transfers out)	The portion of operating expenditures used for debt service costs	• Low - Below 8% • Moderate - 8%-15% • Elevated - 15%-20% • High - Above 25%
A retirement rate of 50% of the Town's indebtedness within 10 years		Median: Greater than 50%

OUTSTANDING DEBT PER CAPITA

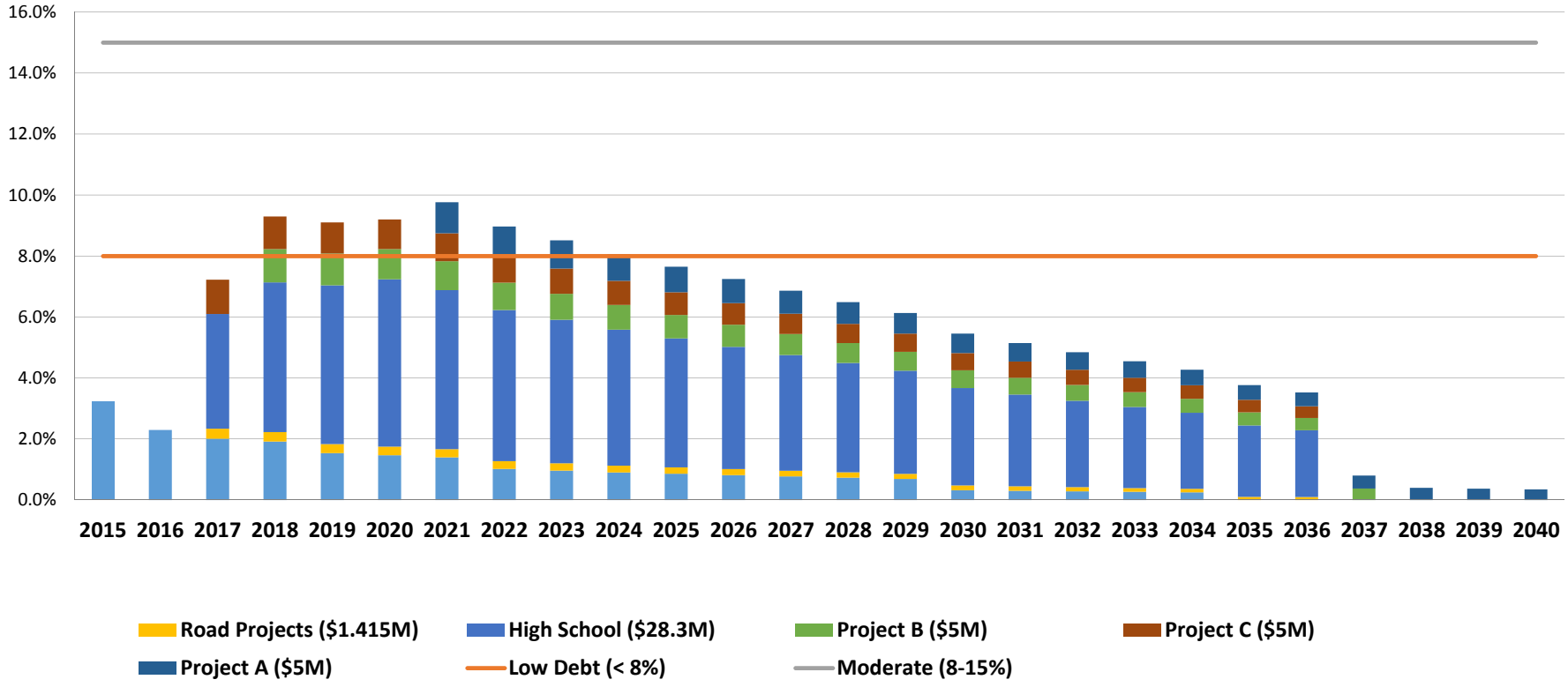


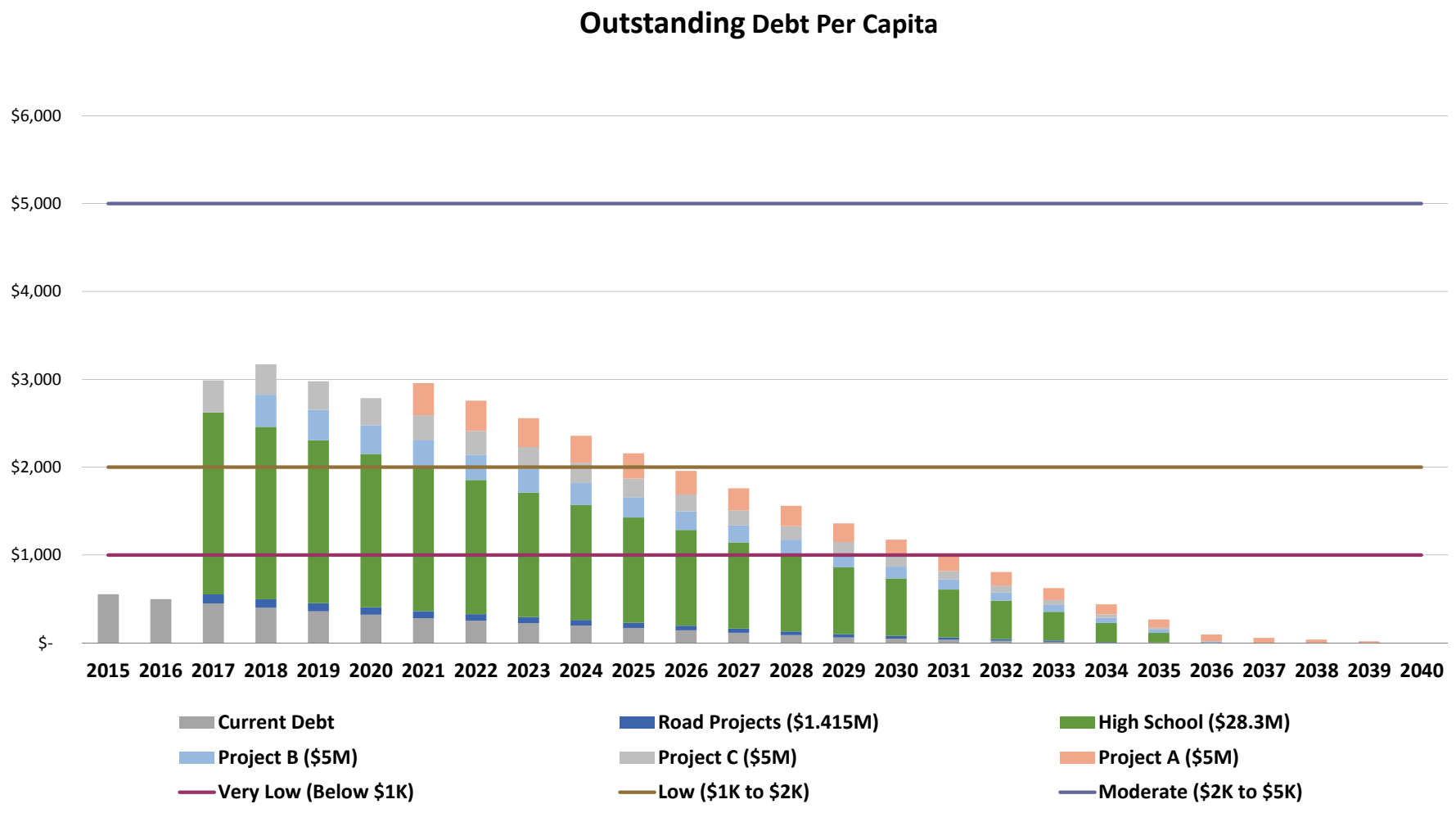
DEBT SERVICE PER CAPITA

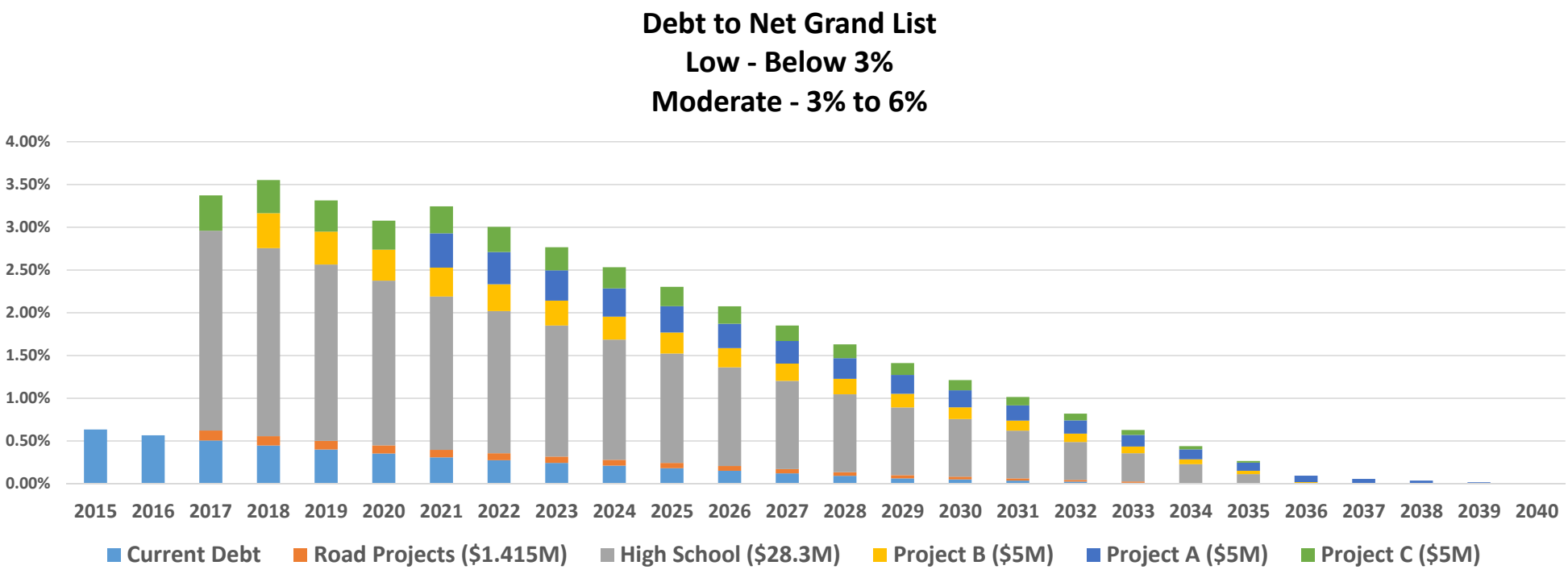



Estimated Annual Debt Service
5,000,000
4,500,000
4,000,000
3,500,000
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
-
2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040
Current Debt
Road Projects ($1.415M)
High School ($28.3M)
Project B ($5M)
Project A ($5M)
Project C ($5M)

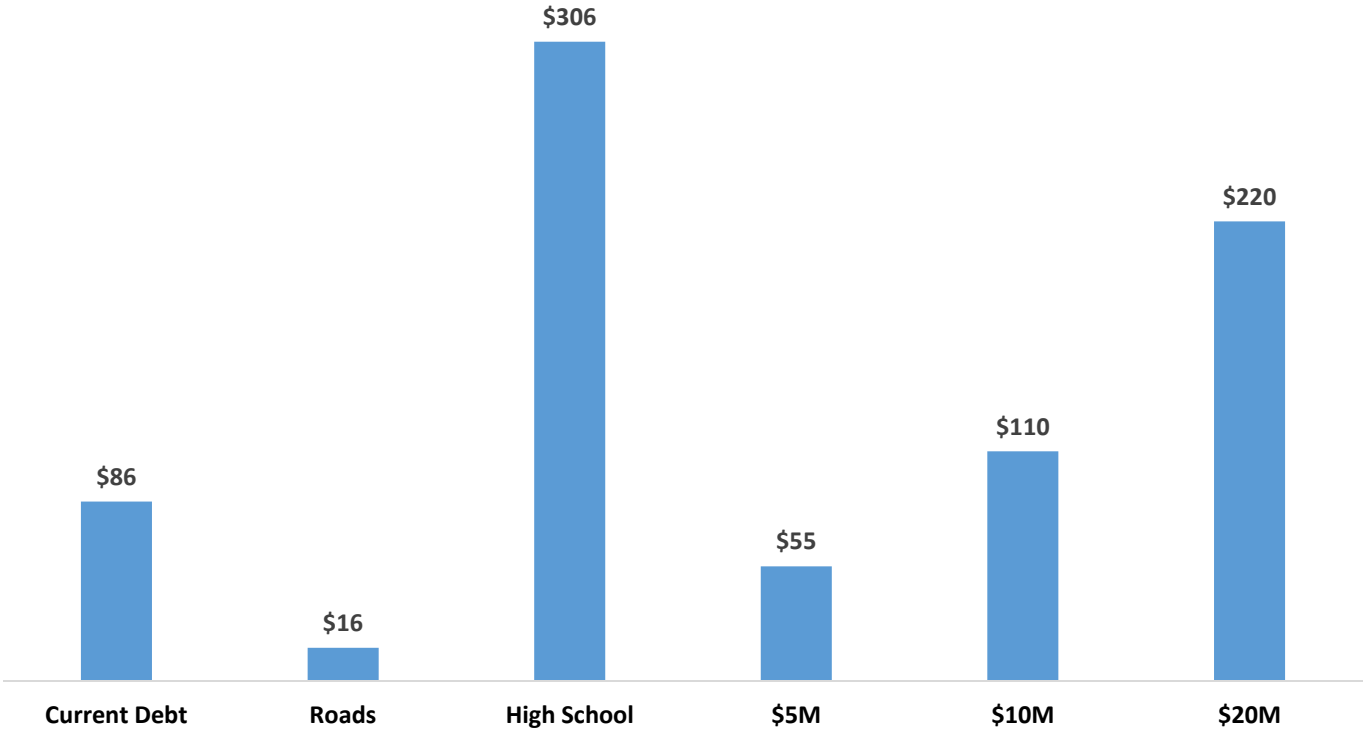
Debt Service to Total Budget




Outstanding Debt Per Capita
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$-
2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040
Current Debt
Road Projects ($1.415M)
High School ($28.3M)
Project B ($5M)
Project C ($5M)
Project A ($5M)
Very Low (Below $1K)
Low ($1K to $2K)
Moderate ($2K to $5K)


Debt to Net Grand List
Low - Below 3%
Moderate - 3% to 6%
4.00%
3.50%
3.00%
2.50%
2.00%
1.50%
1.00%
0.50%
0.00%
2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040
Current Debt
Road Projects ($1.415M)
High School ($28.3M)
Project B ($5M)
Project A ($5M)
Project C ($5M)

Annual Average Cost Per Taxpayer
Assumes Home Assessed at $184,100 (70% of Market Value)



Thank you

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