

Capital Improvement Planning Advisory Committee
Town of East Windsor
11 Rye Street
East Windsor, Connecticut

Minutes of Special Meeting

Tuesday, March 12, 2013 at 5:30 p.m.

These minutes are not official until approved at a subsequent meeting.

The meeting was called to order at 5:38 p.m. Present Selectmen Denise Menard, Treasurer Cathy Cabral, Selectman Dale Nelson, Selectman Richard P. Pippin, Jr., Len Norton, Joseph Pellegrini, Kathleen Pippin, Elzear Rodrigue, Joseph Sauerhoefer and Webster Bank representative Xay Khamsyvorovang.

There was no Public Participation.

New Business:

- A. Approval of February 11, 2013 meeting minutes, motion made by Joe Pellegrini, seconded by Dale Nelson.
- B. Webster Bank presentation by Xay Khamsyvorovang
The Capital Improvement Planning Advisory Committee discussed Mr. Khamsyvorovang's "Considerations for Vehicle and Capital Financing" attached hereto as Exhibit A. It was the consensus of the Committee that further discussion of Webster Bank's presentation should take place after the 2013-2014 Budget has been approved. The Capital Improvement Planning Advisory Committee agreed to meet regarding alternative options for financing of CIP projects on July 10, 2013 at 5:30 p.m. at Town Hall.

The meeting adjourned at 6:43 p.m. motion made by Joe Pellegrini, seconded by Dale Nelson.

Respectfully submitted by



Jennifer R. Browne per
Denise Menard, First Selectman

Town of East Windsor, CT

Considerations for the Capital Improvement Planning Advisory Committee

Xay
Vice President
Webster Bank
Government Banking
xay@websterbank.com

March 12, 2013





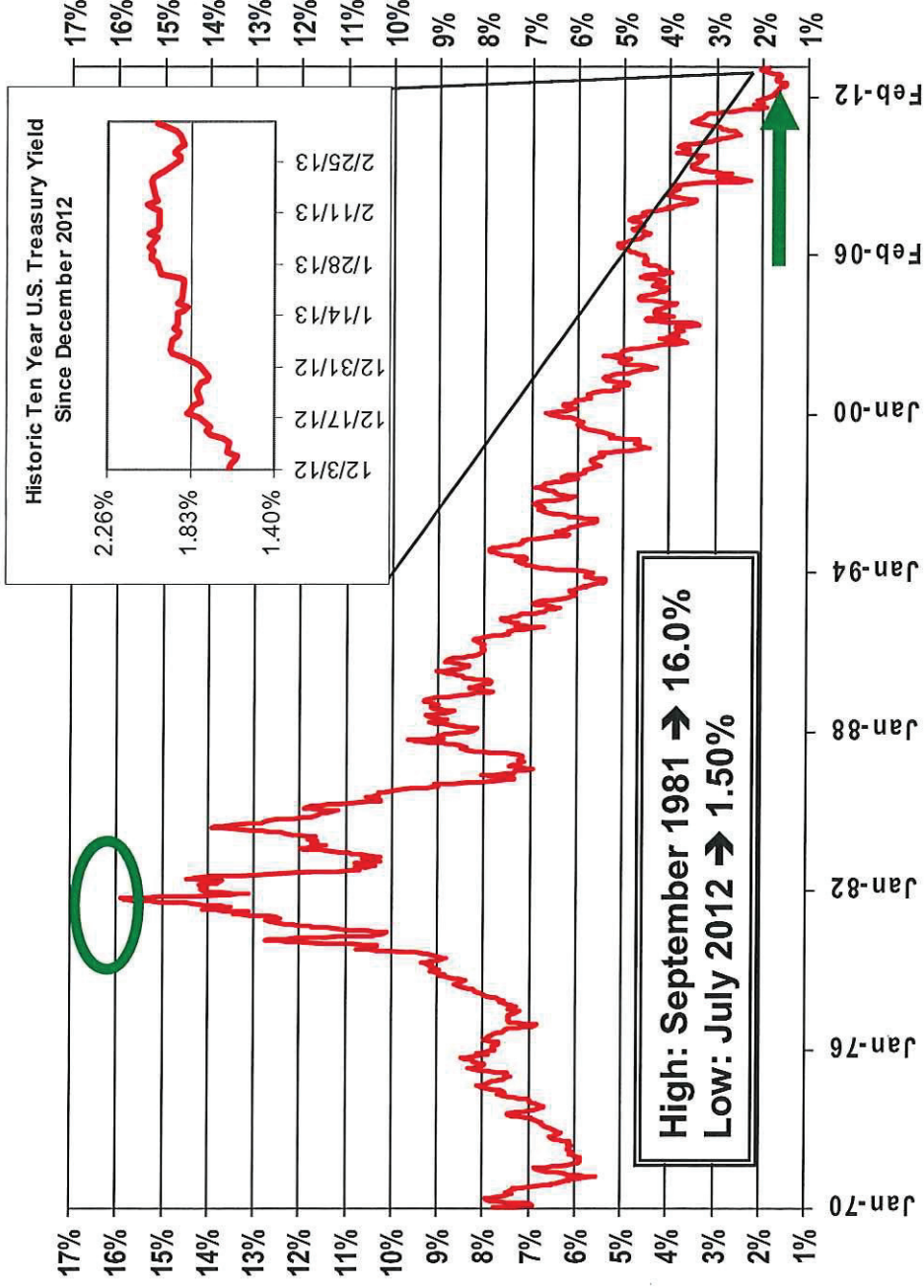
Interest Rate Outlook





Historic Ten Year U.S. Treasury Yield

Current as of March 11, 2013



- Interest rates at the end of 2012 hit historic lows.
- Rates remain near their historic lows:
 - 5Y UST: 0.90%
 - 10Y UST: 2.07%
 - 30Y UST: 3.26%
 - 5Y MMD: 0.82%
 - 10Y MMD: 1.99%
 - 30Y MMD: 3.26%
- Industry analysts expect rates to increase in 2013.



Vehicle Financing Considerations





Financing Structures

Rolling Asset Financing Structures

- The Town should determine the borrowing structure most suitable for its needs/preferences.
- Process, risk, and cost vary substantially between the three different structures.

	<u>BANS</u>	<u>Serial Notes</u>	<u>Commercial Lease</u>
<u>Approval</u>	General Obligation	General Obligation	Appropriation
<u>Rate</u>	Reset annually based on market	Set at time of borrowing - private	Set at time of borrowing - private (higher)
<u>Cost</u>	\$7,000 annually*	\$25,000 at time of borrowing*	\$8,000 at time of borrowing*
<u>Risk</u>	Interest rates/market access		Lack of future appropriation
<u>Disclosure</u>	Brief Offering Statement	Limited Financials	Limited Financials

*Preliminary and subject to change





Financing Structures

Rolling Asset Financing Structures

Hypothetical \$600,000 Vehicle Financing

5 year BANs - No Disclosure

FYE	Principal	Interest	Cost of Issuance	Total
2013			7,000	7,000
2014	120,000	7,500	7,000	134,500
2015	120,000	12,000	7,000	139,000
2016	120,000	9,000	7,000	136,000
2017	120,000	6,000	7,000	133,000
2018	120,000	3,000		123,000
2019				-
Total	\$600,000	\$37,500	\$35,000	\$672,500

5-Year Serial Note @ 3.00% level principal

Principal	Interest	Cost of Issuance	Total
		23,500	23,500
120,000	18,000		138,000
120,000	14,400		134,400
120,000	10,800		130,800
120,000	7,200		127,200
120,000	3,600		123,600
			-
\$600,000	\$54,000	\$23,500	\$677,500

5-Year Lease @ 4.5% level principal

Principal	Interest	Cost of Issuance	Total
		8,000	8,000
120,000	27,000		147,000
120,000	21,600		141,600
120,000	16,200		136,200
120,000	10,800		130,800
120,000	5,400		125,400
			-
\$600,000	\$81,000	\$8,000	\$689,000

Option 1: BANs, no disclosure--assumed 1.25% on 1st year BAN--average rate of 2.5% years 2-5
 Option 2: 5-year Serial note, limited disclosure, no rating, interest rate assumed: 3.0%
 Option 3: 5-year lease--\$8k for legal review

*All rates are subject to change





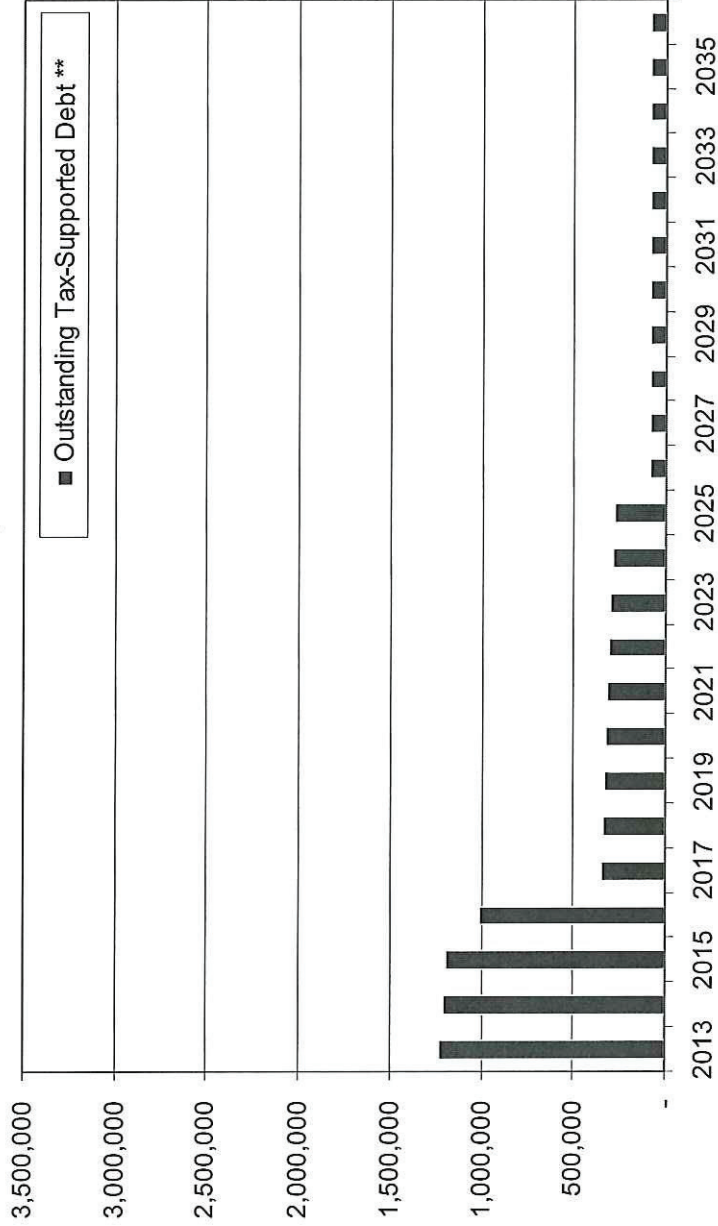
Capital Financing Considerations





Existing General Fund Debt Service

Current Tax-Supported Outstanding Debt
(in dollars)



**Debt service payments of \$90,558 per year continue through 2052

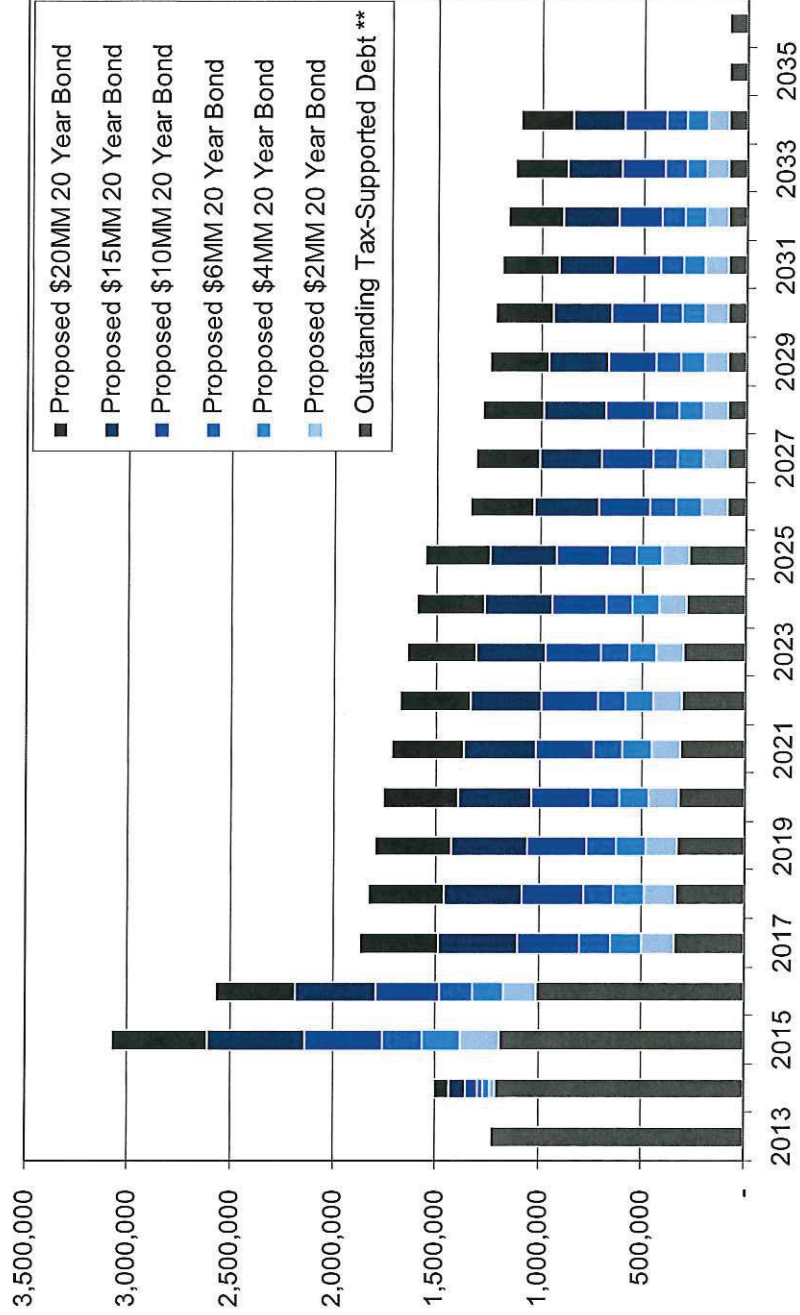
- The Town currently has a conservative debt profile with debt declining substantially in 2017.
- The Town should consider the impact of different debt structures for future capital projects on the Town's required debt service payments.



Financing Options

Scenario 1: Equal Principal Payments

Budgetary Impact on Outstanding Tax-Supported Debt
Bonding Options - Equal Principal Payments
(in dollars)



**Debt service payments of \$90,558 per year continue through 2052

- The Town can borrow using an equal principal payment debt service structure.
- This structure causes debt service to increase in 2015, and decline thereafter.
- Maximum debt service is estimated to be \$1.38MM to \$3.08MM in FY 2015, assuming a 3% cost of borrowing.

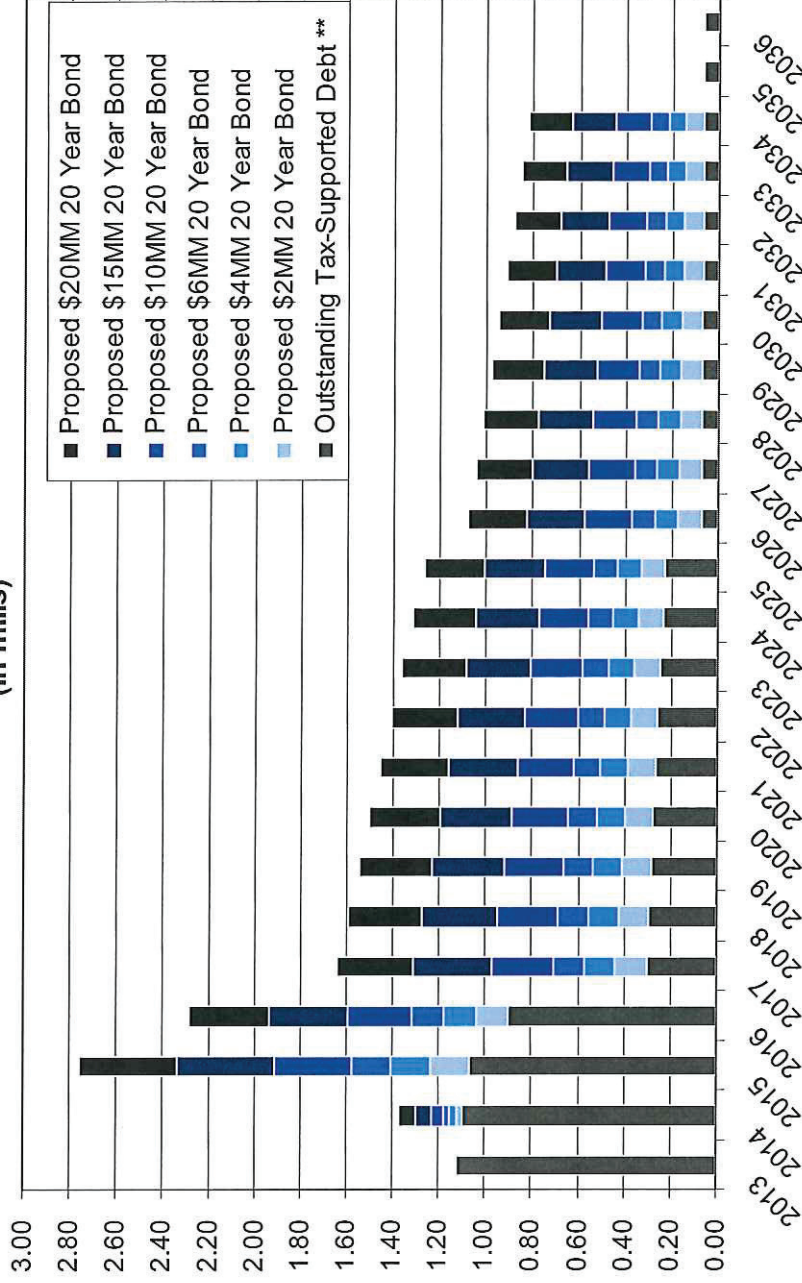


Financing Options – Mill Rate Impact

Scenario 1: Equal Principal Payments

- The Town can borrow using an equal principal payment debt service structure.
- This structure will require an increase in the mill rate required to support the additional debt. The largest portion of this increase will be in 2015 and decline thereafter.
- In 2015, this rate required to support the debt will increase between 0.17 and 1.69, depending on the size of the borrowing.

Mill Rate Impact on Outstanding Tax-Supported Debt
Bonding Options - Equal Principal Payments
(in mills)



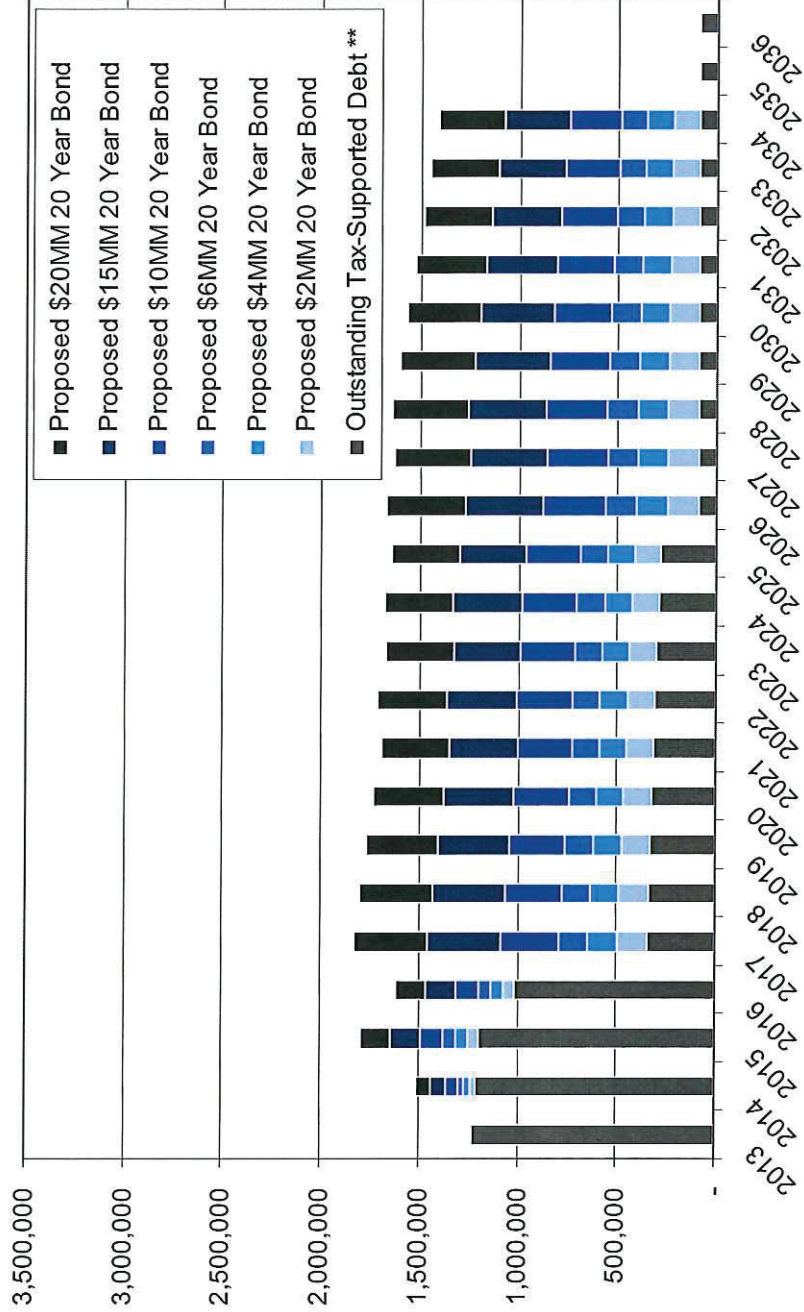
**Debt service payments of \$90,558 per year continue through 2052



Financing Options

Scenario 2: Deferred Debt Service Payments

Budgetary Impact on Outstanding Tax-Supported Debt
Bonding Options - Deferred Debt Service
(in dollars)



**Debt service payments of \$90,558 per year continue through 2052

- The Town can borrow using a delayed principal structure, delaying principal payments in the first two years and tailoring debt service to its existing debt profile.
- This structure minimizes increases in debt service in 2015 and again in 2017, with debt service declining thereafter.
- Maximum debt service is estimated to be \$1.83MM in FY 2017 if \$20MM is borrowed, assuming a 3% cost of borrowing.
- If \$2MM were borrowed, max debt service is estimated to be \$1.25MM in 2015, or \$24K more than the 2013 debt service.

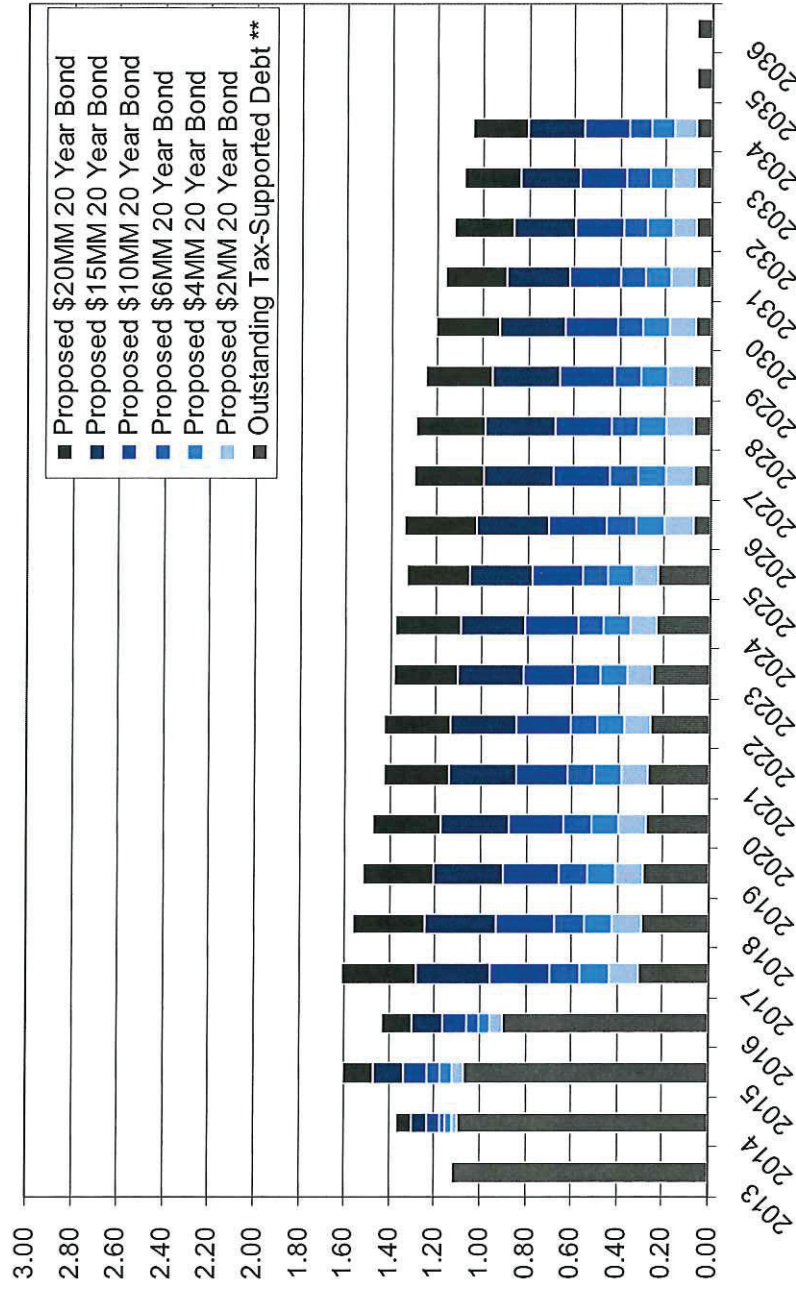




Financing Options – Mill Rate Impact

Scenario 2: Deferred Debt Service Payments

Mill Rate Impact on Outstanding Tax-Supported Debt
Bonding options - Deferred Debt Service
(in mills)

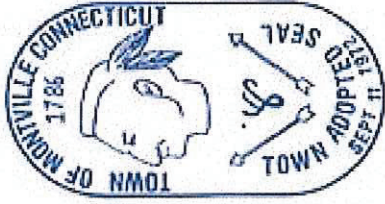


**Debt service payments of \$90,558 per year continue through 2052

- If the Town uses a deferred principal structure, delaying principal payments by two years and tailoring debt service to its existing debt profile, it can minimize the increase in mills required to support the additional debt.

- Under this structure, it would require an increase between 0.05 and 0.54 mills in 2015 to support the additional debt.





\$9,195,000

**Town of Montville
General Obligation
Refunding Bonds**

Issue of 2013

Bank Qualified – Aa3

March 2013



Restructuring for Budgetary Relief

Case Study: Town of Montville G.O. Refunding Bonds, Issue of 2013

- The restructuring allowed the Town to **lock in the savings** available due to historically low rates and **provide budgetary relief for the next three fiscal years, without extending** the life of the debt.
- The Town advance refunded select outstanding bonds for a **true interest cost of 2.17%** and net present value **savings of \$319,693, or 3.71%**.
- The transaction was also structured to provide **\$345,000 of budgetary relief in each of the next three fiscal years.**

