

**TOWN OF EAST WINDSOR
11 RYE STREET
BROAD BROOK, CONNECTICUT 06016**

**BOARD OF SELECTMEN
BOARD OF FINANCE
CAPITAL IMPROVEMENT PLANNING ADVISORY COMMITTEE**

**JOINT SPECIAL MEETING
DEBT PRESENTATION
February 4, 2014 (Tuesday) at 6:00 p.m.
Town Hall Meeting Room**

MINUTES OF SPECIAL MEETING

*******Draft Minutes - These minutes are not official until approved at a subsequent meeting*******

I. TIME AND PLACE OF MEETING:

First Selectman Menard called the Joint Meeting of the East Windsor Board of Selectmen, Board of Finance, and Capital Improvement Planning Advisory Committee to order at 6:00 p.m. on Tuesday, February 4, 2014 at the East Windsor Town Hall Meeting Room, 11 Rye Street, Broad Brook, CT.

II. ATTENDANCE:

Board of Selectmen Present: Denise Menard, First Selectman, Selectmen: Steve Dearborn, Dale A. Nelson, and James C. Richards .

Board of Selectmen Absent: Jason E. Bowsza, Deputy First Selectman

Board of Finance Present: Joseph Pellegrini, Jerilyn Corso, Cynthia Herms, Robert Little, Robert Maynard, Sharon Tripp, Gil Hayes.

Board of Finance Absent: Paulette Broder.

**Capital Improvement
Planning Advisory**

Committee (CIP) Present: Dale Nelson, Selectman, Len Norton, Joseph Pellegrini, Kathleen Pippin, Richard P. Pippin, Jr., Elzear Rodrigue, Joseph Sauerhoefer, Denise Menard, First Selectman (Advisor)

CIP Absent: No one.

Others Present: Xaykham Khamsyvoravong, Vice President, Webster Bank, Government Banking, and Cathy Cabral.

Joint Meeting – East Windsor Board of Selectmen,
East Windsor Board of Finance, and
East Windsor Capital Improvement Planning Advisory Committee
Special Meeting – February 4, 2014

III. PUBLIC PARTICIPATION:

No one requested to speak.

IV. NEW BUSINESS:

- a) **Bonding and Leasing Options for FY 2014 – 2015**
 - 1) **North Road Sewer – Phase II**
 - 2) **Department of Public Works Truck – Lease to own**
 - 3) **Discussion – Official Statement**
 - 4) **Discussion - Private funding vs. bidding options**

Mr. Xay Khamsyvoravong, Vice President of Webster Bank, gave a presentation which addressed financing of the items listed above. See Attachment A – “Town of East Windsor, CT., Debt Considerations” - for full presentation.

It was consensus of the Boards to discuss financing options further at a future Board of Finance Meeting.

VI. INVOICE APPROVAL:

See future Capital Improvement Planning Advisory Committee Meeting for Invoice submission.

VII. ADJOURNMENT:

MOTION: To **ADJOURN** the February 4, 2014 Special Joint Meeting of the East Windsor Board of Selectmen, East Windsor Board of Finance, and East Windsor Capital Improvement Planning Advisory Committee at 7:00 p.m.

Nelson moved/Richards seconded/VOTE: In Favor: Unanimous

Respectfully submitted, _____
Peg Hoffman, Recording Secretary for the East Windsor Capital Improvement Planning
Advisory Committee, and East Windsor Board of Finance

ATTACHMENT A:

Town of East Windsor, CT

Debt Considerations

Xay

Vice President

Webster Bank

Government Banking

xay@websterbank.com

February 4, 2014





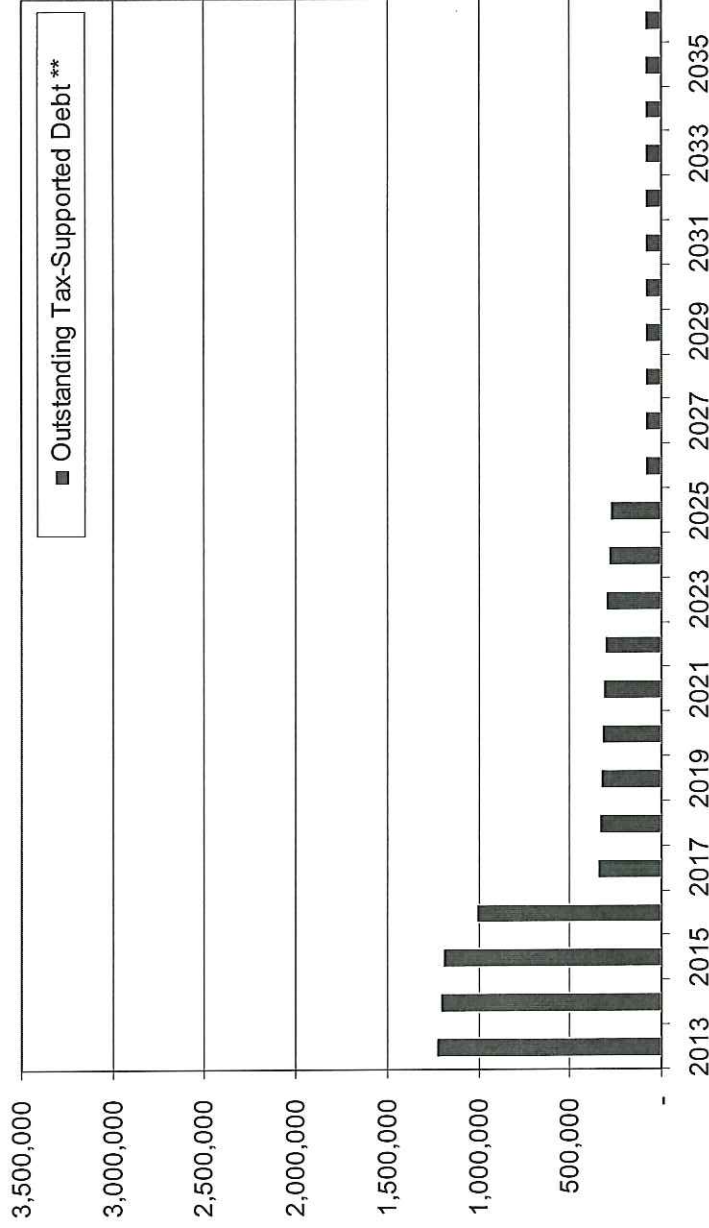
Capital Financing Considerations





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.

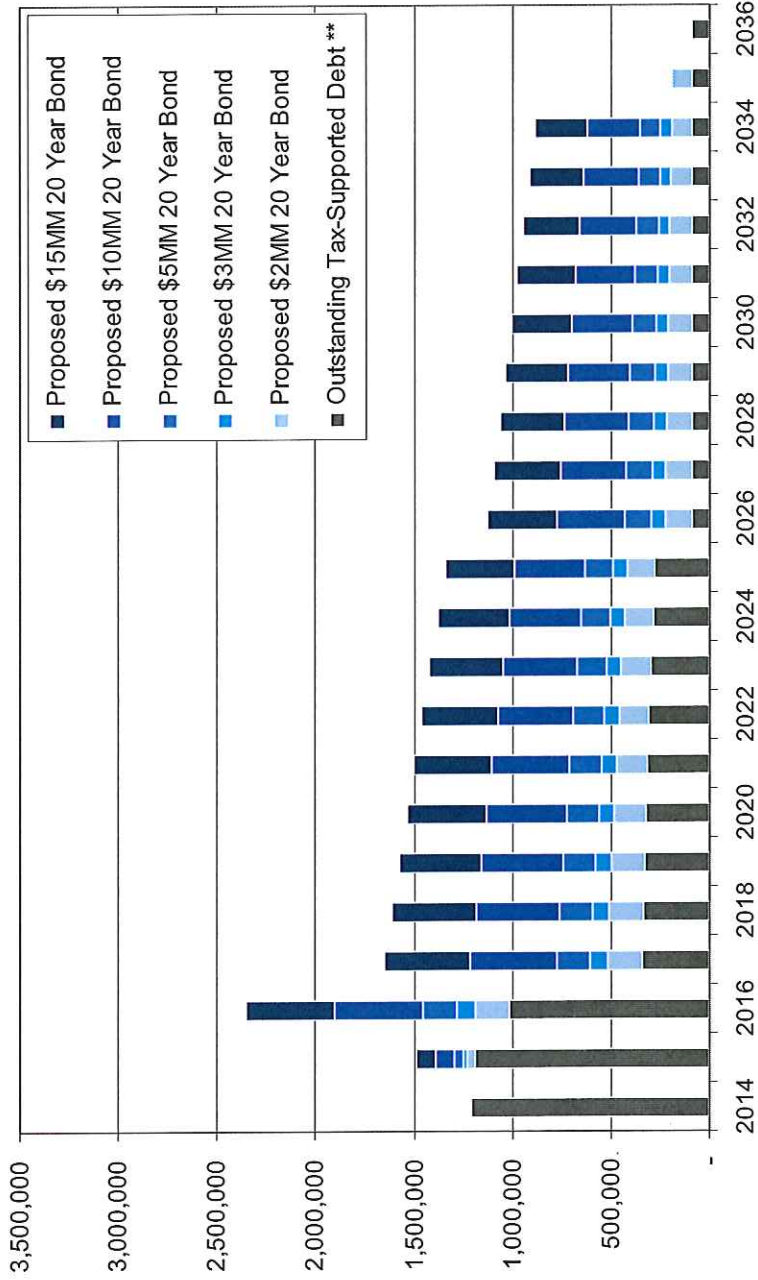


Financing Options

Debt Service Impact

- The Town can borrow using an equal principal payment debt service structure.
- This structure causes debt service to substantially increase in 2016, and decline thereafter.
- Maximum debt service is estimated to be \$1.19MM to \$2.35MM in FY 2016, assuming a 4% cost of borrowing.

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

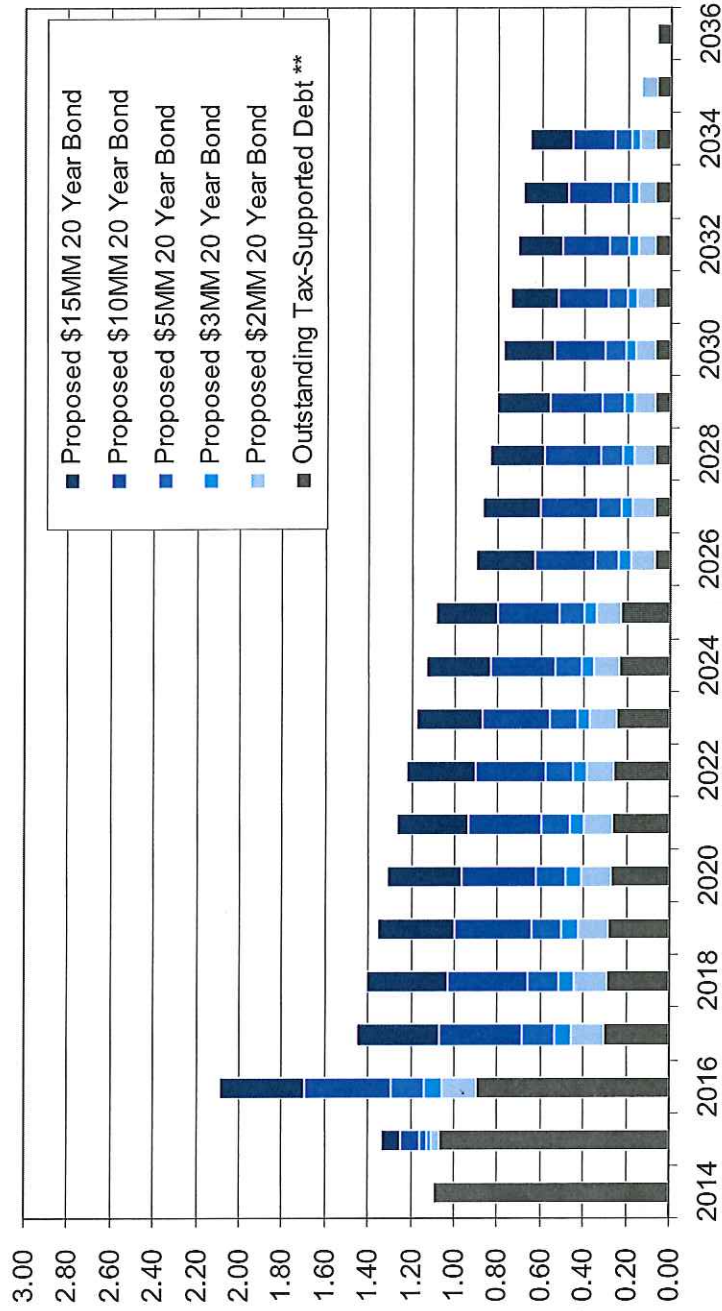




Financing Options

Mill Rate Impact

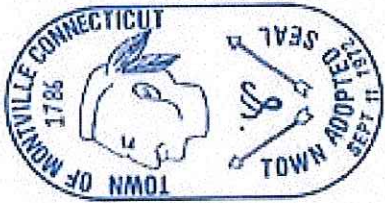
Mill Rate Impact on Outstanding Tax-Supported Debt
Bonding Options - Equal Principal Payments
(in mills)



- 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 2016 and decline thereafter.
- In 2016, this rate required to support the debt will increase between 0.16 and 1.19, depending on the size of the borrowing.



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



\$9,195,000

**Town of Montville
General Obligation
Refunding Bonds**

Issue of 2013

Bank Qualified – Aa3

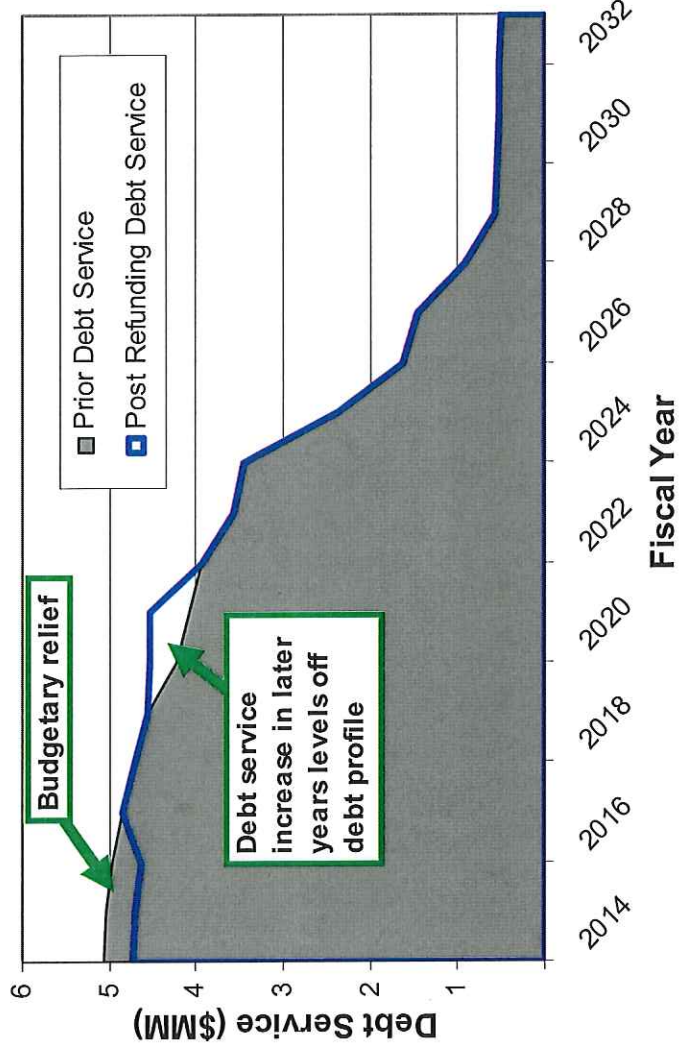
March 2013



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.**





\$8,495,000

**Town of Berlin
General Obligation Bonds**

Issue of 2013

Aa2/AA/NR

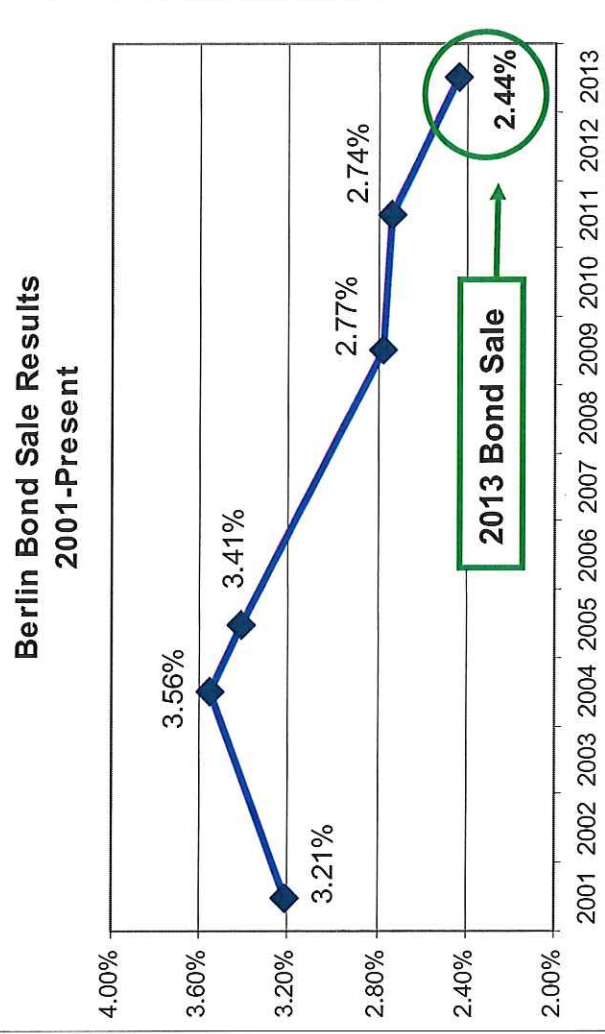
May 2013



Locking in Low Rates

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

- The Town of Berlin permanently financed a portion of its Bond Anticipation Notes to lock in historically low rates, allowing the Town to achieve a TIC of 2.44%.
- Since 2008, the Town has taken proactive steps to address the unfunded pension liability, implementing conservative assumptions and an aggressive funding plan.
- Rating agencies and investors noted conservative budgeting practices as credit positives, helping the Town to achieve its lowest cost of borrowing in decades.





Vehicle Financing Considerations





Financing Structures

Rolling Asset Financing Structures

- Rates in the current market for lease to own financing are reasonable.
- The amortization to the right shows the expected cost of lease financing for a \$217,000 vehicle over 5 years.

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
06/30/2015	-	-	2,170.00	2,170.00
06/30/2016	41,700.00	2.000%	3,923.00	45,623.00
06/30/2017	42,500.00	2.000%	3,081.00	45,581.00
06/30/2018	43,400.00	2.000%	2,222.00	45,622.00
06/30/2019	44,300.00	2.000%	1,345.00	45,645.00
06/30/2020	45,100.00	2.000%	451.00	45,551.00
Total	\$217,000.00	-	\$13,192.00	\$230,192.00

Yield Statistics

Bond Year Dollars	\$659.60
Average Life	3.040 Years
Average Coupon	2.00000000%
Net Interest Cost (NIC)	2.00000000%
True Interest Cost (TIC)	2.00000000%
Bond Yield for Arbitrage Purposes	2.00000000%
All Inclusive Cost (AIC)	2.00000000%





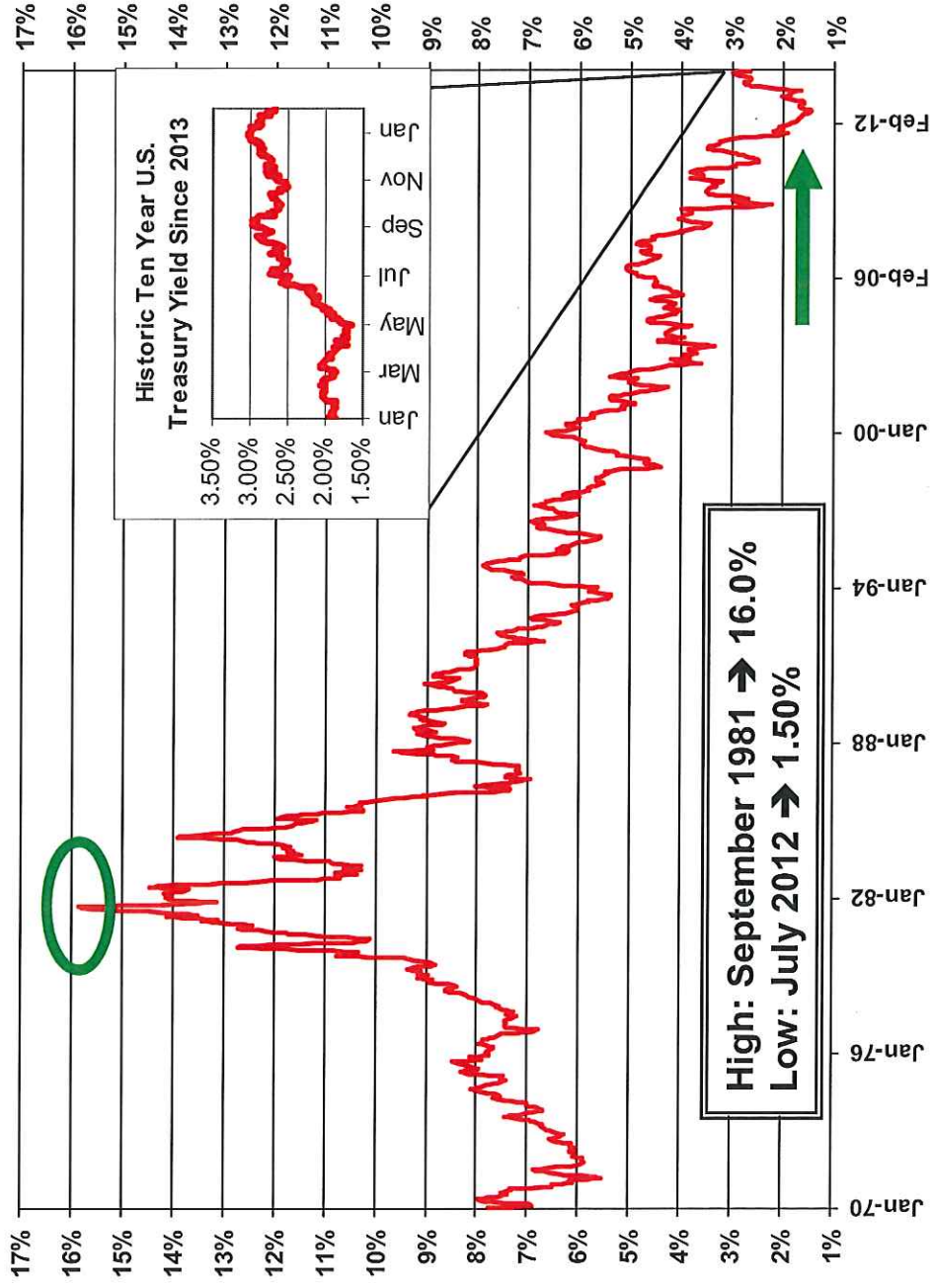
Refinancing Opportunity





Historic Ten Year U.S. Treasury Yield

Current as of January 31, 2014

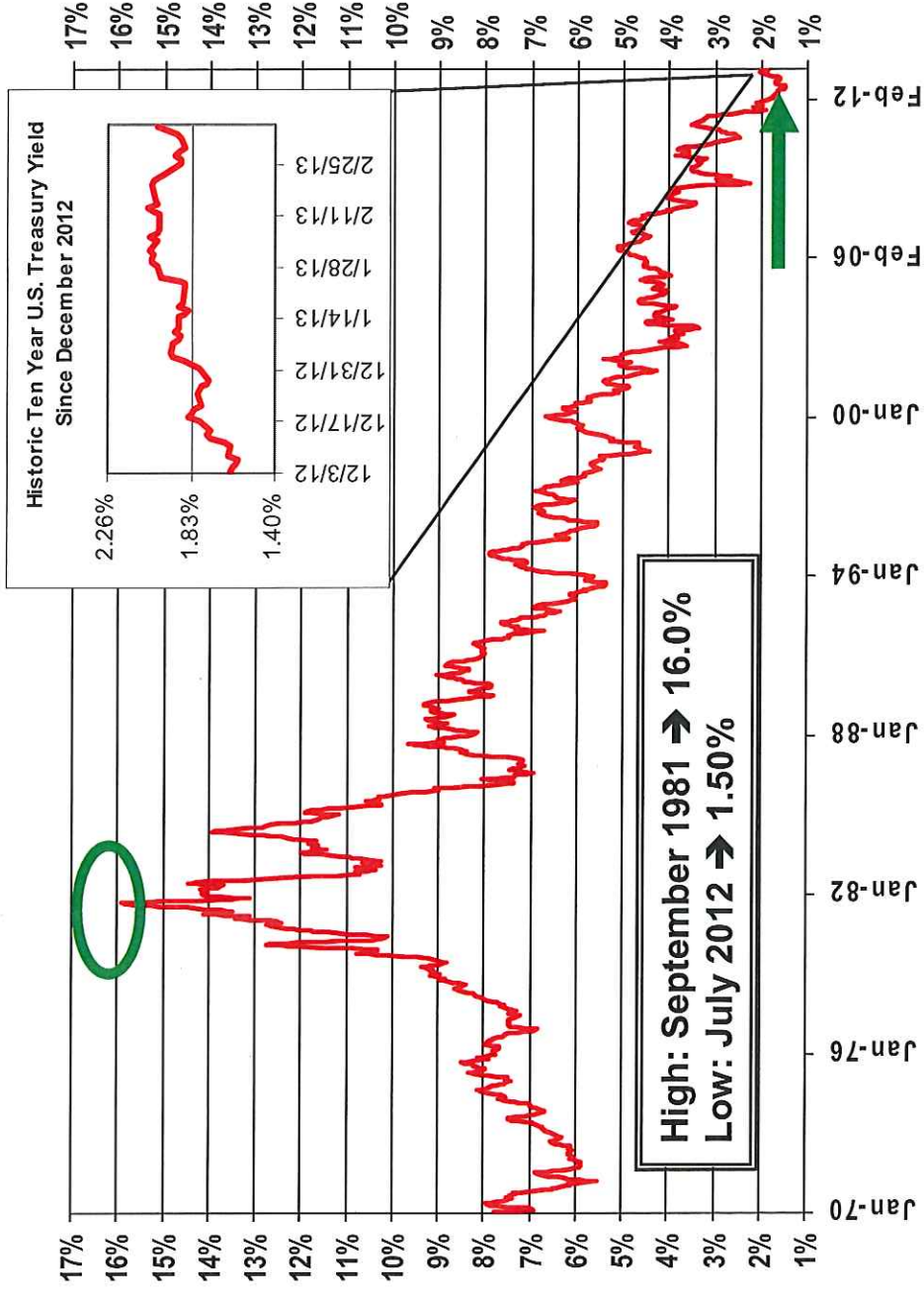


- Interest rates at the end of 2012 hit historic lows.
- Rates remain low:
 - 5Y UST: 1.49%
 - 10Y UST: 2.64%
 - 30Y UST: 3.60%
 - 5Y AAA: 1.05%
 - 10Y AAA: 2.49%
 - 30Y AAA: 4.03%



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.





Bond Refunding Opportunity

Current as of February 3, 2014

Dated Date		3/20/2014
New Debt Issued		\$2,145,000
Amount of Bonds Refunded		\$2,080,000
Series of Bonds Refunded		G.O. Bonds - Issue of 2004
Prior DS		\$2,550,221
New DS		\$2,419,438
Net Present Value Savings		\$129,128.71*

- The Town should consider refunding the its G.O. Bonds – Issue of 2004.
 - Net savings are almost \$130,000 or 7% under current market conditions.

* Preliminary and subject to change.





- The Town should consider loans as a financing vehicle.

Financing Structures

A Comparison

	<u>Public Sale</u>	<u>Direct Loan</u>
<u>Disclosure</u>	Offering Statement	Limited Financials
<u>Cost</u>	Total Costs: \$85,000+ Bond Counsel: \$25k Rating: \$10k FA Fee: \$25k Underwriter's Fees: \$25k	Total Costs: \$20,000 Legal Counsel: \$20k Rating: N/A FA Fee: N/A Underwriter's Fees: N/A
<u>Rate</u>	Based On Market	Set At Time Of Borrowing
<u>Risk</u>	Rates Rise – Savings Lost Rates Fall – Locked In	None: Callable At Anytime



*Preliminary and subject to change

Refinancing with Webster

Case Study: Town of Hebron G.O. Refunding Loan of 2013

- Webster Bank is committed to providing our clients with financing solutions to achieve their goals at the lowest possible costs.
- Using a loan from Webster to refinance allowed the Town of Hebron to:
 - **Secure savings** with a stable rate in an extremely volatile market.
 - **Quickly execute** the transaction in one month.
 - **Minimize expenses** by executing a private transaction.
- The Town refunded its General Obligation Bonds, Issue of 2004 at a rate of 2.25% and true interest cost of 2.28% generating net present value **savings of \$50,541, or 4.68%**.

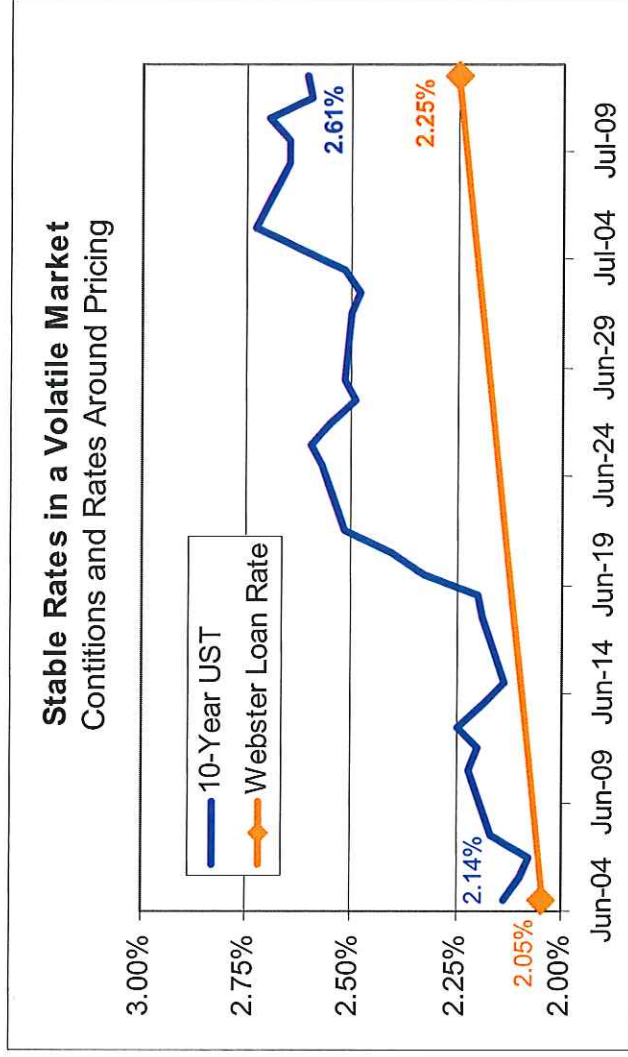


\$1,164,000

**Town of Hebron
General Obligation
Refunding Loan**

Bank Qualified – Unrated

July 2013





Outstanding Short Term Debt



Existing General Fund Debt Service

TOWN OF EAST WINDSOR, CONNECTICUT

\$1,215,000 BAN ISSUE OF 2014

ISSUANCE CALENDAR

Issuer	Bond Counsel	Financial Advisor
Town of East Windsor Denise Menard, First Selectman Tel. (860) 623-8122 Email: dmenard@eastwindsorct.com	Pullman & Comley, LLC Marie V. Phelan, Counsel Tel. (860) 424-4337 Email: mvp@pullcom.com	Webster Bank Xay, Vice President Tel. (860) 692-1730 E-mail: xay@websterbank.com
_____, Treasurer Tel. _____ Email: _____	Mary P. Cyr, Paralegal Tel. (860) 424-4397 Email: mcyr@pullcom.com	Cindy deLoy Tel. (860) 692-1347 Email: cdeloy@websterbank.com

ACTIVITY	DATE
Town finalizes BAN size	Tuesday, February 11, 2014
Legal Documents including Notice of Sale and Legal Opinion from Bond Counsel due to Webster Bank	Friday, February 21, 2014
Webster Bank Mails Information to Underwriters	Tuesday, February 25, 2014
BAN Sale Date	Wednesday, March 5, 2014
Location of Bond Sale	By Phone
Time of Sale	11:30 am
Settlement Date of BANs (Town receives proceeds)	Thursday, March 20, 2014
Maturity Date of New BANs	Thursday, December 18, 2014



- The Town currently has notes for the North Road Sewer Project Phase II outstanding and coming due on March 20, 2014.
- Interest due 3/20/2014 is about \$8,000. The net is about \$3,500.
- Costs of issuance for a BAN are approximately \$6,000.

