First Selectman

From: Katie Townsend (MIS - Ratings) <Katie.Townsend@moodys.com>
Sent: Friday, September 8, 2023 1:31 PM
To: Barry Bernabe
Cc: Mary Williamson; Maggie Cosgrove
Subject: RE: Colchester, CT - Draft 2022 Financial Information

Hi Barry – thank you so much for sending this. The information provided is sufficient to maintain the rating. I will be in touch next week to schedule review of a press release removing the town from "Rating Under Review"

Thanks again and have a great weekend.

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Town of Colchester, Connecticut

Existing & Proposed Debt Analysis

August 2023

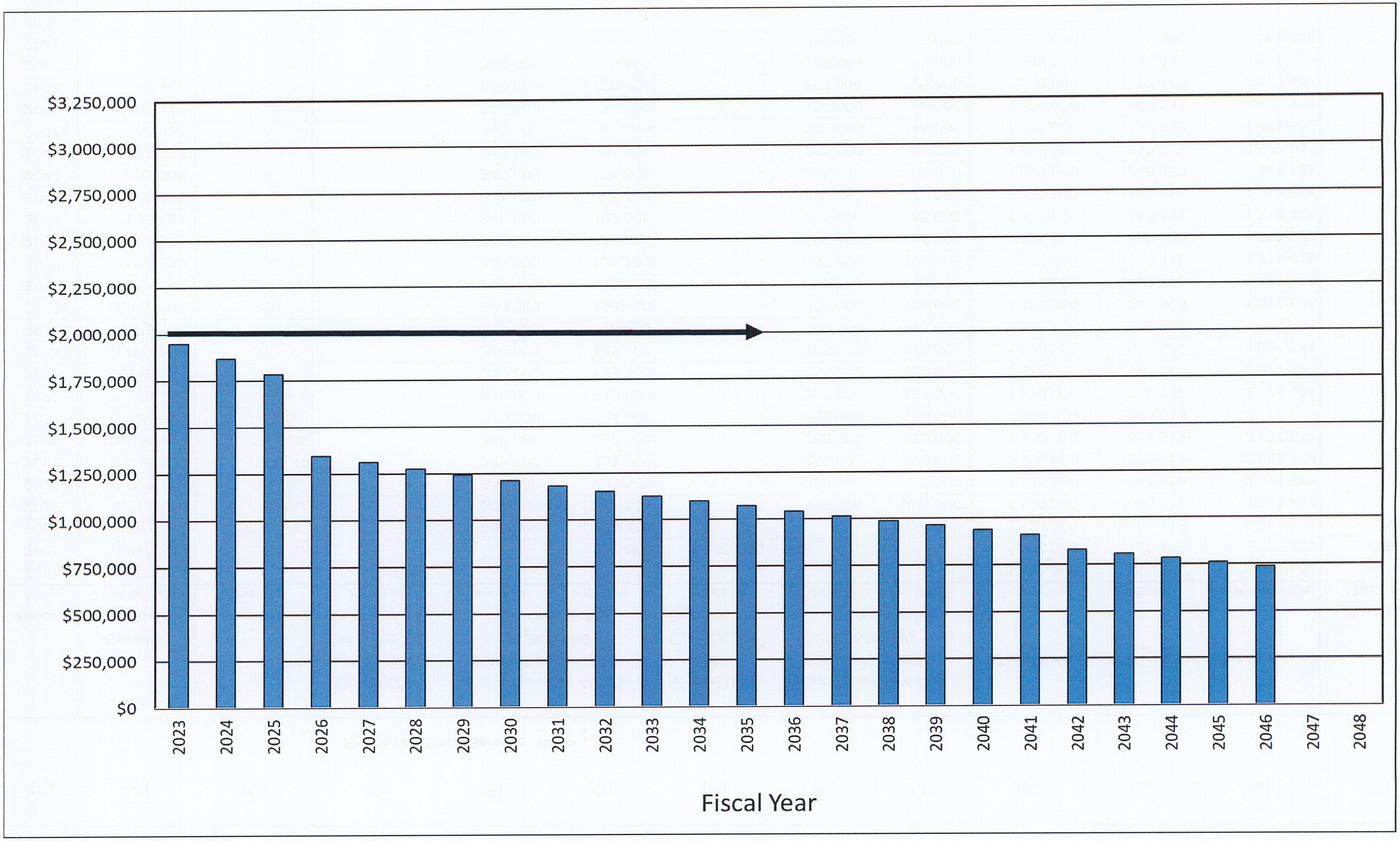
Barry Bernabe

PHOENIX ADVISORS, LLC

Assumptions

- Town plans to increase the Senior Center borrowing authorization by $1,500,000 to $11,000,000. Actual bonding for the senior center is expected to be reduced to $8,500,000 due to a $2,500,000 DECD grant.
- To be conservative, we assumed the town bonds $8,500,000 for the Senior Center, though this amount may be further reduced with a $575,00 private donation and $32,691 of ARPA funds.
- Due to increasing interest rates, we increased the projected borrowing rate from 3.75% to 4.00%
- The analysis assumes the town maintains its AA+ bond rating from Standard & Poor's (rating could be lowered if the 2022 audit is not completed prior to September 15)
- Debt analysis assumes $8,500,000 is issued for the Senior Center and $4,500,000 for Fire Apparatus – for a total of $13,000,000.
- The $13,000,000 total borrowing cost with be split into two separate bond issues of $7,500,000 and $5,500,000.
- State law allows for bonding amortization for up to 30-years, though this analysis assumes an amortization term of 23 years for each bond issue.
- This analysis does <u>not</u> assume the use of any existing debt service reserve funds or projected bond premiums, which could help to mitigate the impact of the projected debt

Existing Debt Service



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Existing & Proposed Debt Service

(A)	(B)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)
			Proposed Debt Service ===>									
			$2,845,000 *WJJMS BANs* Date Oct 22 Due: Oct 23	Bond Issue @ 4.00% Dated October 2023 **$7,500,000** (23 Year Bond)		$5,000,000 *BANs* Date Oct 23 Due: Oct 24	Bond Issue @ 4.00% Dated Oct 2024 **$5,500,000** (22 Year Bond)		***Total Existing & Projected Debt Service***			
Fiscal Year	**Existing Bonded Debt Service**	**Annual Change**	Interest	Principal	Interest	Interest	Principal	Interest	Principal	Interest	**Debt Service**	***Annual* Change**
2024	1,839,164		99,298	-	136,538	-	-	-	1,180,000	895,000	**2,075,164**	
2025	1,785,289	(53,875)	-	-	300,000	205,000	-	-	1,170,000	1,120,289	**2,290,289**	**215,125**
2026	1,347,619	(437,670)	-	345,000	293,100	-	-	330,000	1,125,000	1,190,719	**2,315,719**	**25,430**
2027	1,311,119	(36,500)	-	345,000	279,300	-	175,000	205,000	1,300,000	1,015,419	**2,315,419**	**(300)**
2028	1,277,119	(34,000)	-	345,000	265,500	-	220,000	205,000	1,345,000	967,619	**2,312,619**	**(2,800)**
2029	1,243,119	(34,000)	-	345,000	251,700	-	255,000	195,000	1,380,000	909,819	**2,289,819**	**(22,800)**
2030	1,211,619	(31,500)	-	340,000	238,000	-	260,000	185,000	1,380,000	854,619	**2,234,619**	**(55,200)**
2031	1,182,619	(29,000)	-	340,000	224,400	-	255,000	175,000	1,375,000	802,019	**2,177,019**	**(57,600)**
2032	1,153,306	(29,313)	-	340,000	210,800	-	255,000	165,000	1,375,000	749,106	**2,124,106**	**(52,913)**
2033	1,125,081	(28,225)	-	340,000	197,200	-	255,000	155,000	1,375,000	697,281	**2,072,281**	**(51,825)**
2034	1,097,944	(27,138)	-	340,000	183,600	-	255,000	145,000	1,375,000	646,544	**2,021,544**	**(50,738)**
2035	1,070,181	(27,763)	-	340,000	170,000	-	255,000	135,000	1,375,000	595,181	**1,970,181**	**(51,363)**
2036	1,042,106	(28,075)	-	340,000	156,400	-	255,000	125,000	1,375,000	543,506	**1,918,506**	**(51,675)**
2037	1,015,119	(26,988)	-	340,000	142,800	-	255,000	115,000	1,375,000	492,919	**1,867,919**	**(50,588)**
2038	989,219	(25,900)	-	340,000	129,200	-	255,000	105,000	1,375,000	443,419	**1,818,419**	**(49,500)**
2039	963,006	(26,213)	-	340,000	115,600	-	255,000	95,000	1,375,000	393,606	**1,768,606**	**(49,813)**
2040	936,481	(26,525)	-	340,000	102,000	-	255,000	85,000	1,375,000	343,481	**1,718,481**	**(50,125)**
2041	910,656	(25,825)	-	340,000	88,400	-	255,000	75,000	1,375,000	294,056	**1,669,056**	**(49,425)**
2042	831,500	(79,156)	-	340,000	74,800	-	255,000	65,000	1,320,000	246,300	**1,566,300**	**(102,756)**
2043	808,313	(23,188)	-	340,000	61,200	-	255,000	55,000	1,320,000	199,513	**1,519,513**	**(46,788)**
2044	784,953	(23,359)	-	340,000	47,600	-	255,000	45,000	1,320,000	152,553	**1,472,553**	**(46,959)**
2045	761,141	(23,813)	-	340,000	34,000	-	255,000	35,000	1,320,000	105,141	**1,425,141**	**(47,413)**
2046	737,047	(24,094)	-	340,000	20,400	-	255,000	25,000	1,320,000	57,447	**1,377,447**	**(47,694)**
2047	-	(737,047)	-	340,000	6,800	-	255,000	15,000	595,000	21,800	**616,800**	**(760,647)**
2048	-	-	-	-	-	-	255,000	5,000	255,000	5,000	**260,000**	**(356,800)**
2049	-	-	-	-	-	-	-	-	-	-	-	**(260,000)**
2050	-		-	-	-	-	-	-	-	-	-	
	25,423,718		99,298	**7,500,000**	3,729,338	205,000	**5,500,000**	2,740,000	31,455,000	13,742,354	45,197,518	

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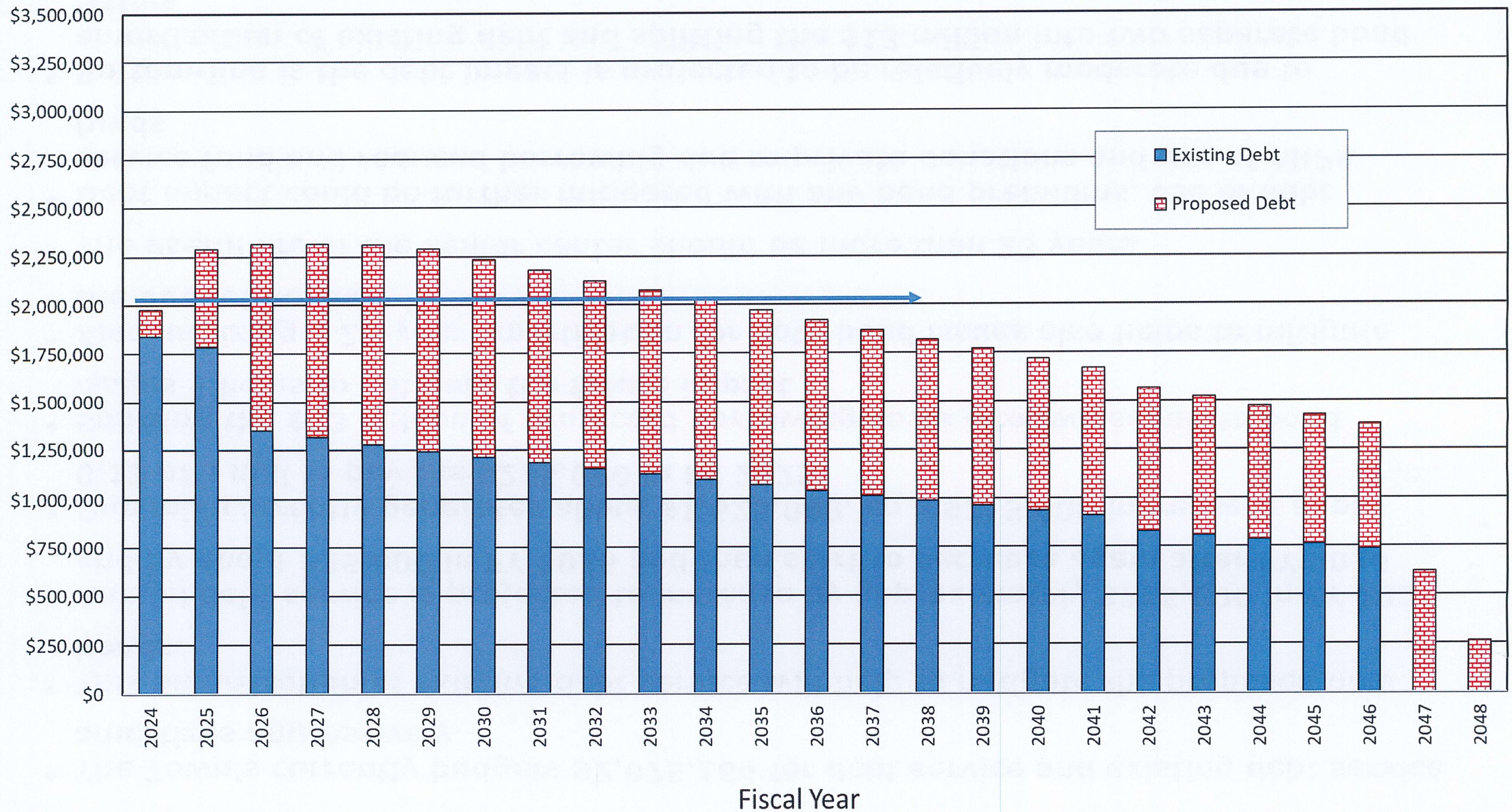
Existing & Proposed Debt Service



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Conclusion

- The Town's currently budgets $2,075,164 for debt service and existing debt service amortizes aggressively.
- This amortization of existing debt service will help to mitigate the proposed new bonds.
- Annual debt service is projected to increase by approximately $215,000 in FY 2025 and by about $25,000 in FY 2026 and then start to decrease again after FY 2026
- One mill currently generates about $1,625,000, so a $215,000 increase is about 0.13 of a mill to pay the $215,000 in FY 2025
- Splitting the $13 million of projected borrowing costs into two separate bond issues – helps to mitigate the future impact
- Also, utilizing a 23-year amortization for both bond issues also helps to mitigate the budget impact.
- The useful life of the senior center should be more than 23 years
- Debt impact could be further mitigated with any bond premiums, use of debt service fund and reduced borrowing due to private donations and use of ARPA funds
- Bottom-line is the debt impact is projected to be relatively moderate due to amortization of existing debt and splitting the $13 million into two separate bond issues
- Risks include possible rating downgrade and continued increase in interest rates

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