

TOWN OF VERNON



Explanatory Text

For Referendum Question on Road Reconstruction and Improvements Project

The Town Council has approved the placement of a bond ordinance question that will appear on the ballot at a referendum to be held on Tuesday, January 28, 2014. The voting will take place between the hours of 6:00 A.M. and 8:00 P.M.

The ballot heading for approval or disapproval of the ordinance will be:

1. **"SHALL THE TOWN OF VERNON APPROPRIATE \$27,637,000 FOR ROAD RECONSTRUCTION AND IMPROVEMENTS AND AUTHORIZE THE ISSUANCE OF BONDS AND NOTES IN THE SAME AMOUNT TO FINANCE SAID APPROPRIATION?"**

YES____ NO____

Voters approving said ordinance will vote "Yes" and voters opposing said ordinance will vote "No."

Electors of the Town shall vote at the following polling place:

ALL Districts	Center 375	375 Hartford Turnpike (Route 30)
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Property owners who are NOT registered voters, but are qualified to vote at referenda, shall also vote between the hours of 6:00 A.M. and 8:00 P.M. at:

Center 375 375 Hartford Turnpike (Route 30), Vernon, Connecticut

Absentee ballots will be available from the Town Clerk's office.

PROPOSED ROADS PROJECT - DESCRIPTION

ROAD RECONSTRUCTION AND IMPROVEMENTS

The estimated project cost, including short-term interest financing and debt issuance costs, is \$27,637,000.

For design, engineering and reconstruction of, and improvements to various town roads to the extent of available funds. The project will include the reconstruction of pavement and roadway systems as applicable for North Park Street; Thompson Street; Thompson Court; St. Bernard’s Terrace; Ward Street; and the Valley Falls Road section from Bread and Milk Road to Bolton Road. Furthermore, in accordance with the Town of Vernon Road System Management database, the project includes improvements to two-hundred and fourteen other roads over a six-year period. Based on conditions, the road improvements include various resurfacing treatments to extend pavement life. Treatments will include, but are not limited to, Reclaim and Pave; Cold-In-Place-Recycling with an overlay; Mill and Pave; Overlay; Shim and Chip Seal; and Chip/Cape Seal. The appropriation may be spent for design, engineering and construction costs, equipment, materials, land and easement acquisition, site improvements, legal fees, net interest on borrowings and other financing costs, and other expenses related to the project or its financing. The Town Council is authorized to determine the scope and particulars of the project. The Town Council may reduce or modify the scope of the project, and the entire appropriation may be spent on the project as so reduced or modified.

PROJECT BUDGET

The estimated project budget includes escalation, contingency, administrative and financing costs.

ESTIMATED COST SUMMARY BY CATEGORY	
Description	Amount
Project Allocation	\$26,452,000
Short-term Interest	581,963
Debt Issuance Costs	603,037
Total Proposal	\$27,637,000

TOWN OF VERNON, CONNECTICUT – EXPLANATORY TEXT
JANUARY 28, 2014 – PROPOSED ROAD RECONSTRUCTION & IMPROVEMENTS BOND QUESTION

FINANCING OBJECTIVES - BONDING

- Phase-in borrowing.
- Utilize a series of note and bond issues to coincide with project timelines.
- Capitalize short-term interest and issuance costs.
- Combine borrowings with other debt issues when viable.

COST TO TAXPAYERS

The estimated cost to the taxpayer is calculated with the following **assumptions**:

- Mill rate projections are based upon the October 1, 2012 Grand List – One mill = \$1,734,381.
- The Grand List is projected forward utilizing an annual average growth index of 0.53%.
- Project start: March 1, 2014 / Project completion: December 31, 2019.
- Six separate bond issues are projected, beginning June, 2015, consecutively to June, 2020.
- Each bond issues is based on 15 year principal amortizations.
- Net project costs for bonding purposes - \$27,637,000.
- Interest rates are estimated for each bond issue and are subject to change based upon market conditions.
- Tax impact from bonding, begins in the fiscal year ending June 30, 2016.
- Tables that are presented may differ due to rounding.

It is anticipated that the project will be funded through six bond issues as follows:

Anticipated Issue Date	Approximate Principal Amount	Estimated Interest Rate
June 1, 2015	\$6,791,000	4.75%
June 1, 2016	\$6,223,000	5.75%
June 1, 2017	\$4,594,000	6.00%
June 1, 2018	\$4,128,000	6.25%
June 1, 2019	\$3,787,000	6.50%
June 1, 2020	\$2,114,000	6.75%
Total of Bond Issues:	\$27,637,000	

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COST TO TAXPAYERS (continued)

The tax impact from initial bonding for the Roads Project is scheduled to begin in FY 2016, and continues to increase with each new bond issue annually through FY 2021. Thereafter, the debt service declines as shown in the table below:

Fiscal Year Ending June 30,	Estimated Roads Project Debt Service Principal & Interest	Estimated Mill Rate Impact per \$1,000
2015	-	0.00
2016	\$813,573	0.46
2017	1,520,073	0.85
2018	2,076,590	1.15
2019	2,528,913	1.40
2020	2,978,155	1.64
2021	3,138,470	1.72
2022	3,017,100	1.65
2023	2,910,675	1.58
2024	2,804,250	1.52
2025	2,697,825	1.46
2026	2,591,400	1.39
2027	2,484,975	1.33
2028	2,378,550	1.27
2029	2,272,125	1.21
2030	2,165,700	1.15
2031	1,609,275	0.85
2032	1,109,225	0.58
2033	743,036	0.39
2034	425,150	0.22
2035	149,450	0.08
TOTALS	\$ 40,414,510	Average: 1.09
Principal	\$27,637,000	
Interest	\$12,777,510	

MILL RATE IMPACT OF PROPOSED ROADS PROJECT

Between the Fiscal Years 2016 – 2035, the average annual mill rate impact is 1.09 / \$1.09 per \$1,000 of assessed value; or by extension, \$109 per \$100,000 of assessed value.

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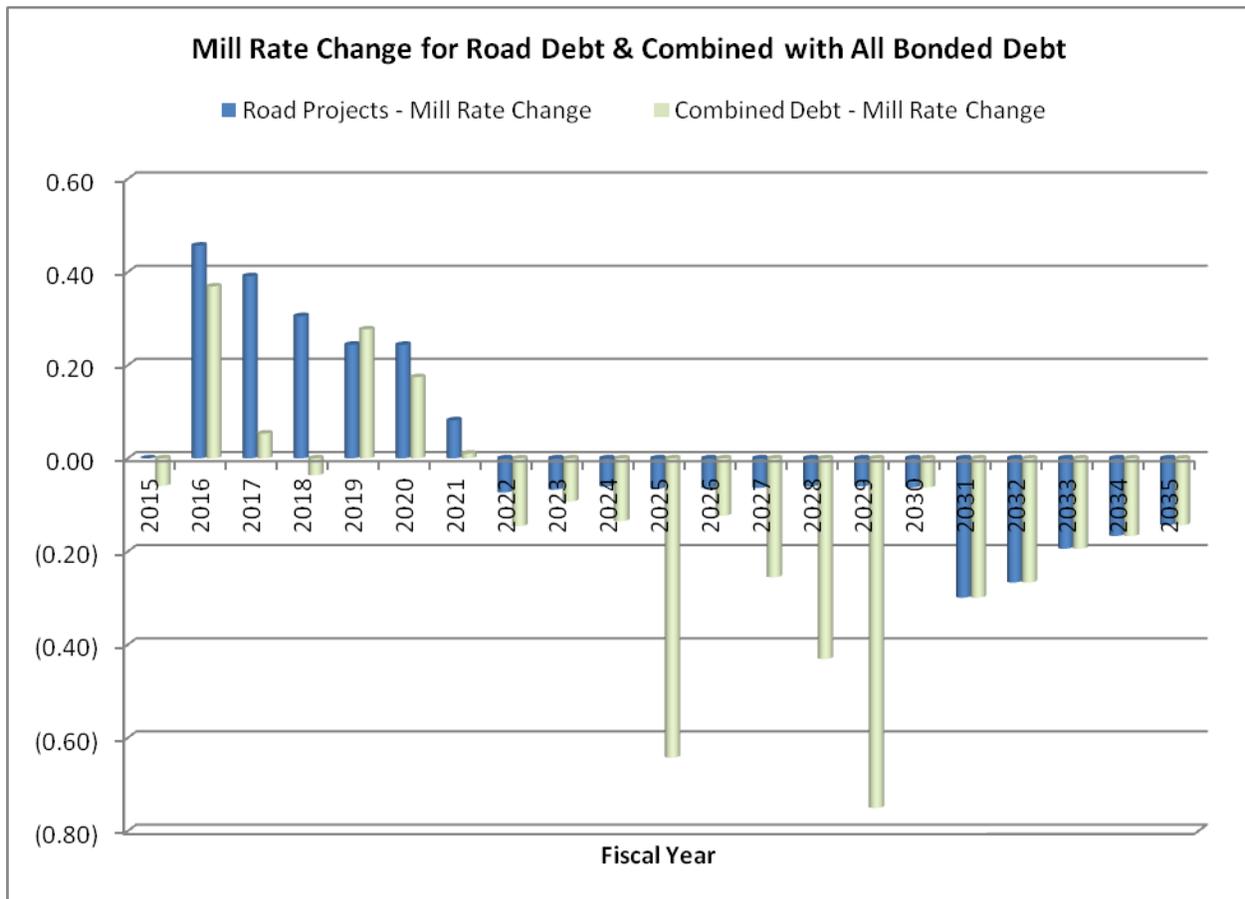
AVERAGE ANNUAL COST – (TAX IMPACT) FOR ROAD PROJECTS

The assessed value of taxable property is 70% of the market value. The table below depicts the average annual cost of the proposed roads project, for a range of assessed values from \$100,000 to \$300,000.

TAX IMPACT AVERAGE - ROAD IMPROVEMENT DEBT					
VARIOUS ASSESSMENTS					
Market Value	\$ 100,000	\$ 150,000	\$ 200,000	\$ 250,000	\$ 300,000
Assessed Value (70%)	\$ 70,000	\$ 105,000	\$ 140,000	\$ 175,000	\$ 210,000
AVERAGE ANNUAL COST:	\$ 77	\$ 115	\$ 153	\$ 192	\$ 230

**Average Annual Cost may differ due to rounding.

The chart below indicates the projected change each year to the mill rate for both the roads project and when combined with the existing net bonded debt service, beginning in fiscal year 2015 through 2035. In FY 2015, prior to incurring roads project debt, the change in the mill rate impact for existing debt decreases. In FY 2016, road debt payments begin, and correspondingly the mill rate change increases. The increase continues through FY 2021, and then decreases thereafter.



***TOWN OF VERNON, CONNECTICUT – EXPLANATORY TEXT
JANUARY 28, 2014 – PROPOSED ROAD RECONSTRUCTION & IMPROVEMENTS BOND QUESTION***

This explanatory text has been authorized by the Town Council and prepared in accordance with the Connecticut General Statutes, Section 9-369b(a), and is not intended to advocate either the approval or disapproval of the referendum question.

Additional information on the Road Reconstruction and Improvements referendum question is available:

- In the Town Clerk’s office at 14 Park Place.
- By contacting the Mayor’s office at (860) 870-3601. For specific road information, contact the Director of Public Works, Robert Kleinhans at (860) 870-3500. For information related to financing of the projects, contact James Luddecke, Finance Officer and Treasurer, Town of Vernon, (860) 870-3690.
- The explanatory text and copies of the bond ordinances will also be placed on the Town of Vernon web site at www.vernon-ct.gov/.

TOWN OF VERNON

14 Park Place
Vernon, Connecticut 06066

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