DEBT SERVICE

PROGRAM DESCRIPTION

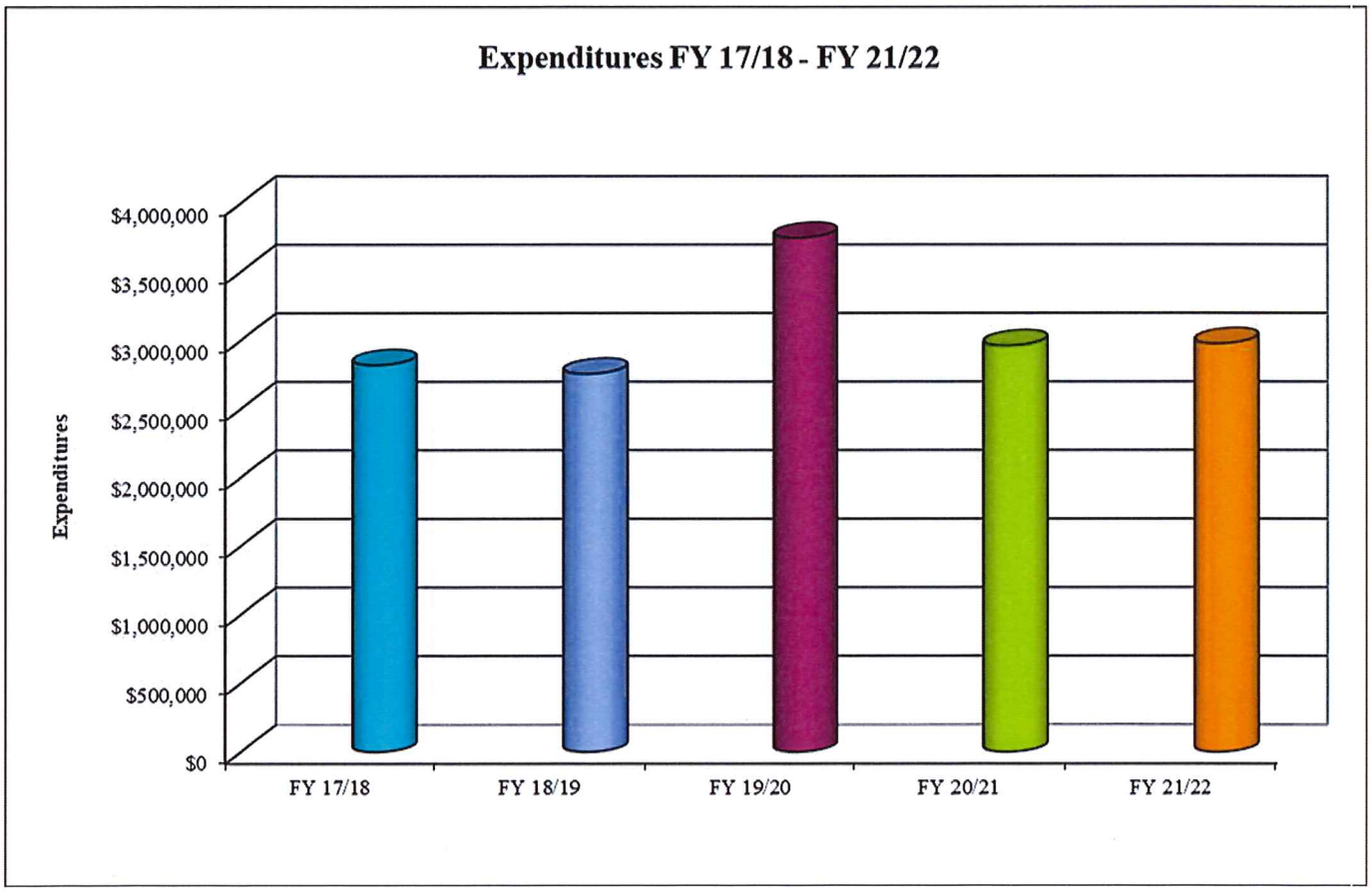
This series of accounts reflects those expenditures made by the Town for interest and principal payments for Short and Long-Term Debt.

PERSONNEL AND EXPENDITURES

The Director of Finance is responsible for monitoring the Town's Debt Service Program.

PROGRAM COMMENTARY

	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022	$ Inc/(Dec)	% Inc/-Dec
Expenditures	$2,818,850	$2,755,750	$3,746,038	$2,959,750	$2,975,117	$15,367	0.52%



Debt Service reflects the pay down of existing debt from general obligation bond anticipation notes and bond issues for general purposes including previously approved projects: the Avon High School Renovation/Addition project, Town Hall Renovations, the replacement of the Avon Middle School Roof and related improvements, the Avon Free Public Library Renovations, Additions and Improvements project, the Refunding Bonds (issue of March 2016), the 2018 Land Acquisition, the Avon High School Synthetic Turf Field and Track Improvement (issue of June 2020), and the Town and Public Safety Communication System Replacement project (approved in December 2018 and partially included in the issue of June 2020). The $2,975,117 in Debt is reflected in the General Fund appropriation.

PROGRAM COMMENTARY, continued

The primary objectives of the Debt Service Program are to:

1. Ensure long-term debt will not exceed the Town's resources for repaying the debt;
2. Finance capital projects through the issuance of bonds for a period not to exceed the expected useful life of the project;
3. Maintain the Town's Aaa/AAA credit rating.

It is the Town's intent to keep its per capita debt at a level acceptable to municipal securities rating agencies and retire its debt rapidly (total debt, as currently issued, will be paid off in 2035). This strategy has been effective since 2005; as both Moody's and Standard & Poor's have consistently rated Avon as an Aaa/AAA community. A brief, more current, timeline of these exceptional ratings: in 2012, by Moody's and Standard & Poor's when the Town issued bonds for Library Additions and Renovations Project; in 2015 by Standard & Poor's as part of their regular surveillance cycle; in 2016 by Moody's and Standard & Poor's for General Obligation Refunding Bonds; in 2018 by Moody's, as part of their regular surveillance cycle; and in May 2020, whereas both Moody's and Standard & Poor's reaffirmed Avon's AAA rating with stable outlook.

The Town presented and adopted at an October 22, 2009 referendum, an appropriation of $9,500,000, with authorization for the issuance of up to $8,000,000 of notes and bonds, for renovations and additions to the Avon Free Public Library. Construction commenced in the winter of 2010, with the ceremonial groundbreaking in early January 2011. The Library expansion, which was completed in April 2012 at a total cost of $8.61 million (roughly $900,000 under the original budget), doubled the square footage and significantly impacted building operating and staff costs. The improvements allowed the Library to expand its print and non-print collections and the programs offered to the public, which are projected to be needed for the Town's build-out population of 21,000. The Avon Free Public Library received a $1,000,000 Connecticut State Library construction grant, with the remainder of this approximately $9,500,000 total construction project funded by notes, bonds, fundraisers, and donations. On November 2, 2010, the Town issued Bond Anticipation Notes in the amount of $7,000,000, due November 1, 2011, which was subsequently replaced with $7,000,000 of Bond Anticipation Notes at a rate of 1.50% maturing October 30, 2012 for temporary financing for the expansion and renovations. On October 30, 2012, the Town issued General Obligation Bonds at a rate of 2% maturing June 15, 2028.

On March 15, 2016, the Town closed on $11.4 million General Obligation Refunding Bonds. A refunding means that future interest payments cease and principal payments are refinanced through a bond issue at lower interest rates. In order to maintain maximum control of the process, and to realize as close to the projected savings as possible, the bonds were sold on a negotiated basis. Additionally, the retention of an independent Pricing Agent assured that the Town received the best rate available in the market on the day of pricing. The refunding will result in a total budgetary savings of $385,413 spanning over the fiscal years of 2016 through 2027.

On July 15, 2018, Avon purchased approximately 38 acres of land in the southwestern portion of Town, leasing approximately 22 acres back to the seller. The Town issued a $1.6 million General Obligation Bond as a bank loan/alternative financing filing, private placement, and is filing continuing disclosure submissions with the MSRB.

At a referendum held on December 12, 2018, two new projects were approved: the Avon High School (AHS) Synthetic Turf Field and Track Improvement Project and the Town and Public Safety Communication System Replacement Project with authorized funding of $2,995,000 and $3,890,000, respectively.

Work on the AHS Synthetic Turf Field and Track Improvement Project began on April 22, 2019 and was completed in the fall of 2019 with a ribbon cutting ceremony taking place on November 7, 2019. General Obligation Bonds in the amount of $3,275,000 were issued on June 16, 2020 to fund the $2,995,000 cost of the AHS Synthetic Turf Field and Track Improvement Project as well as $280,000 of the cost of the Town and Public Safety Communications System Replacement Project. A second issuance will likely be completed for the remaining appropriation of the public safety communications project, in the amount of $3,610,000.

The Tables on M. 5 reflect the Legal Debt Margin Information for the last ten fiscal years, and the Ratio of Net General Bonded Debt to Assessed Value and Net General Bonded Debt Per Capita for the last ten years. The table on the following page illustrates the Schedule of Changes in Bonded Indebtedness for the year ended June 30, 2020. Page A.22 lists statewide comparative debt figures and A.23 compares Avon's debt and credit ratings to similar communities.

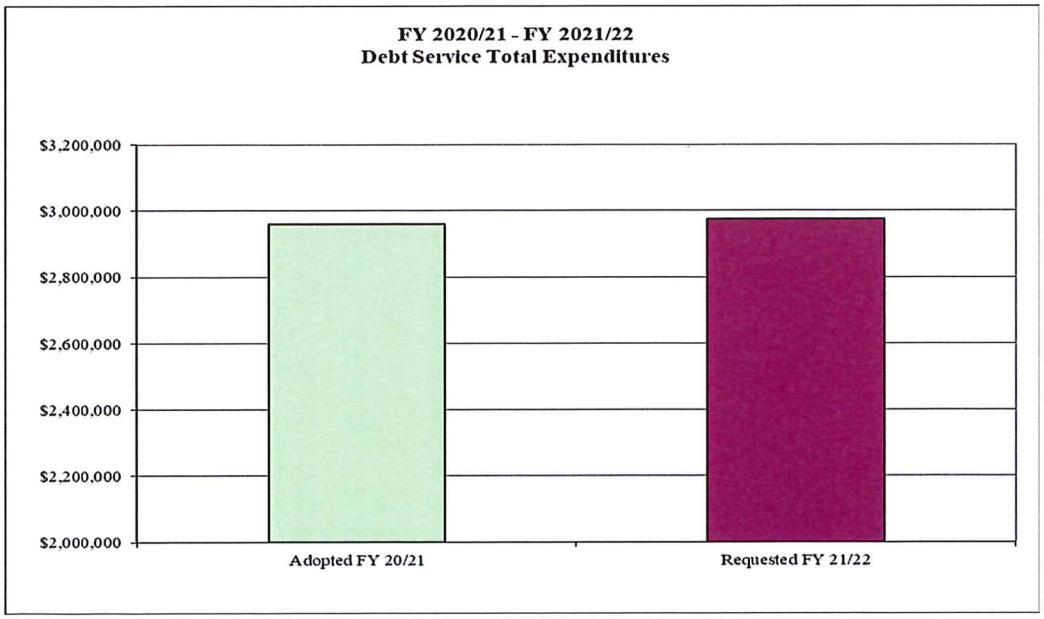
EFFECT OF EQUITY DEBT LEVEL ON ANNUAL AND FUTURE OPERATIONS

The Town has taken into consideration the budget impact of current and future debt levels on operations. This has been done in conjunction with the Capital Improvement Program (see R. 3 for a more detailed analysis). Capacity from the retirement of debt has been shifted to funding the Capital Projects Fund on a pay-as-you-go basis. The current and anticipated debt service program has been planned to minimize major impacts on year-to-year operations. As of the current fiscal year (including the General Obligation Bonds issued in June 2020, but not including any estimates on the remaining, unissued amount for the public safety communications project approved in December 2018), debt retirement will be 64% retired in five years and 95% retired in ten years. This projection is based on outstanding bonds, as reported in the *Notes to the Financial Statements* of the prior fiscal year's CAFR. The outlook for the Town is continued maintenance of its modest debt position.

REQUESTED BUDGET SUMMARY
DEBT SERVICE

	Appropriated FY 2020/2021	Requested FY 2021/2022	Adopted FY 2021/2022	Inc/(Dec) $	Inc/-Dec %
Bonds and Notes*					
Expenditures	$2,959,750	$2,975,117	TBD	$15,367	0.52%

*Includes authorized, but unissued, debt service.



TOWN OF AVON, CONNECTICUT

SCHEDULE OF DEBT LIMITATION
FOR THE YEAR ENDED JUNE 30, 2020

Total tax collections (including interest and lien fees) received by Treasurer at June 30, 2019	$ 82,515,760
Total tax collections (including interest and lien fees) received by Treasurers of all other taxing districts within Town for current fiscal year	4,022,135
Reimbursement for Revenues Loss : Tax Relief for Elderly	
Base for Debt Limitation Computation	$ 86,537,895

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
Debt Limitation:					
2-1/4 times base	$ 194,710,264	$	$	$	$
4-1/2 times base		389,420,528			
3-3/4 times base			324,517,106		
3-1/4 times base				281,248,159	
3 times base					259,613,685
Total debt limitation	194,710,264	389,420,528	324,517,106	281,248,159	259,613,685
Indebtedness:					
Bonds payable	6,707,000	13,303,000			
Bonds authorized and unissued	3,610,000				
Net indebtedness (1)	10,317,000	13,303,000	-	-	-
Debt Limitation in Excess of Outstanding Debt	$ 184,393,264	$ 376,117,528	$ 324,517,106	$ 281,248,159	$ 259,613,685

(1) The total of the above net indebtedness amounts to:	$ 23,620,000
In no event shall total indebtedness exceed seven times the base for debt limitation computation:	$ 605,765,265

TOWN OF AVON, CONNECTICUT
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a % of Debt Limit	Debt Limit as a % of Assessed Value
2011	448,646,527	58,609,091	390,037,436	13.06%	17.14%
2012	470,001,581	54,999,110	434,237,064	11.70%	17.81%
2013	489,236,174	35,312,055	454,522,584	7.21%	18.36%
2014	504,598,451	32,741,930	471,856,521	6.49%	18.77%
2015	522,097,100	27,635,000	494,462,100	5.29%	20.40%
2016	532,901,257	24,208,066	508,693,191	4.54%	20.64%
2017	549,535,427	21,884,367	527,651,060	3.98%	21.20%
2018	566,255,025	19,773,495	546,481,530	3.49%	21.68%
2019	590,060,653	19,270,000	570,790,653	3.27%	22.56%
2020	605,765,265	23,620,000	582,145,265	3.90%	23.67%

Note: The State of Connecticut General Statutes require that in no event shall the total debt of the Town exceed seven (7) times the annual receipts from taxation.

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET GENERAL BONDED DEBT PER CAPITA
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt / General Obligation Bonds	Accumulated Resources Restricted For Debt Repayment	Net Bonded Debt	Ratio of Net General Bonded Debt to Estimated Actual Taxable Value	Bonded Debt per Capita	Capital Leases	Total Debt Per Capita	% of Personal Income
2011	33,487,141	180,079	33,307,062	0.84%	1,820		1,820	3.52%
2012	29,906,570	155,446	29,751,124	0.79%	1,599		1,599	3.09%
2013	33,861,024	48,073	33,812,951	0.90%	1,782		1,782	3.45%
2014	30,919,827	25,338	30,894,489	0.84%	1,602	230,043	1,614	2.61%
2015	28,098,630	31,247	28,067,383	0.77%	1,434	234,484	1,445	2.34%
2016	26,014,575	90,761	25,923,814	0.68%	1,307	313,279	1,323	2.14%
2017	23,509,630	67,070	23,442,560	0.61%	1,282	402,088	1,304	1.95%
2018	21,149,685	49,680	21,100,005	0.56%	1,152	358,138	1,172	1.74%
2019	20,389,740	(64,391)	20,454,131	0.54%	1,099	398,497	1,120	1.69%
2020	21,465,965	220,492	21,245,473	0.58%	1,175	376,704	1,195	1.65%

DEBT OBLIGATIONS
FISCAL YEAR 2021/2022

BONDS AND BOND ANTICIPATION NOTES

PROGRAM DESCRIPTION

This account shows the expenditures of principal and interest payments on all outstanding and anticipated debt issues for Town and School purposes.

PROGRAM COMMENTARY

The total debt service budgeted for fiscal year 2021/2022 is $2,975,117. The bond payments are budgeted in the General Fund; the Sewer Fund debt was retired in fiscal year 2012/2013. Currently there are no notes outstanding.

Date of Issue	Description	Original Issue	Principal Obligation	Interest Obligation	2021/2022 Debt Service
General Purposes:					
Bonds:					
October 30, 2012	AFPL Renovations, Additions, Imp.	$ 7,100,000	$ 525,000	$ 73,000	$ 598,000
March 15, 2016	Refunding, Town Hall Renovs.	964,000	135,000	25,265	160,265
July 15, 2018	Land Purchase 2018	1,600,000	200,000	17,500	217,500
June 16, 2020	Town/PS Comm. Sys. Repl.	280,000 *	18,809	9,345	28,154
TBD	Town/PS Comm. Sys. Repl.	3,610,000 *	-	73,050	73,050
Total General Purposes:		13,554,000	878,809	198,160	1,076,969
Schools:					
Bonds:					
March 15, 2016	Refunding, AHS & AMS Renovations and Roof	10,436,000	1,460,000	273,460	1,733,460
June 16, 2020	AHS Turf/Track Imp	2,995,000	201,191	99,955	301,146
Total Schools:		13,431,000	1,661,191	373,415	2,034,606
Grand Total – All Debt**		$26,985,000	$2,540,000	$571,575	$3,111,575

* *Original Issue* amounts consist of $280,000 of debt issued on June 16, 2020, as well as $3,610,000 of authorized, unissued debt at time of printing (total authorized debt is equal to $3,890,000).

** Applying $136,458 of BAN/Bond Premium to reduce the fiscal year 2021/2022 budget to $2,975,117.

Town of Avon

Town Council's Budget Summary

Budget Fiscal Year: 2022 to 2022

Account# and Description	2020 Actual	2021 Base Budget	2021 Actual YTD	Department Head	Town Manager	Town Council	Board of Finance	Inc/Dec	%
01 GENERAL FUND									
9101 BONDS & NOTES									
SERVICES & SUPPLIES									
CONTRACTUCTUAL SERV & PRINTING	3,036,692	2,959,750	2,144,465	2,959,750	3,111,575	2,975,117	0	15,367	1
Total SERVICES & SUPPLIES	3,036,692	2,959,750	2,144,465	2,959,750	3,111,575	2,975,117	0	15,367	1
Total 9101 BONDS & NOTES	3,036,692	2,959,750	2,144,465	2,959,750	3,111,575	2,975,117	0	15,367	1

TOWN OF AVON
GENERAL LONG-TERM DEBT OBLIGATIONS
SCHEDULE OF CHANGES IN BONDED INDEBTEDNESS
FOR THE YEAR ENDED JUNE 30, 2020

DATE OF ISSUE	DESCRIPTION	ORIGINAL ISSUE	OUTSTANDING JULY 1, 2019	ISSUED	REDEEMED	OUTSTANDING JUNE 30, 2020
GENERAL PURPOSES:						
BONDS:						
October 15, 2009	Town Hall Renovations	$2,295,000	$145,000	-	$145,000	-
October 30, 2012	AFPL Renovations, Additions, Imp.	7,100,000	4,625,000	-	450,000	4,175,000
March 15, 2016	General Purpose Refunding	964,000	952,000	-	-	952,000
July 15, 2018	Land Purchase	1,600,000	1,600,000	-	300,000	1,300,000
June 16, 2020	Town/PS Comm. Sys. Repl.	280,000	-	280,000	-	280,000
TOTAL GENERAL PURPOSES		12,239,000	7,322,000	280,000	895,000	6,707,000
SCHOOLS						
BONDS:						
October 15, 2009	School Construction-Avon High School Renovations	23,218,000	1,490,000	-	$1,490,000	-
October 15, 2009	School Construction-Avon Middle School Roof	2,372,000	150,000	-	150,000	-
March 15, 2016	General Purpose Refunding, AMS	1,013,000	1,001,000	-	-	1,001,000
March 15, 2016	General Purpose Refunding, AHS	9,423,000	9,307,000	-	-	9,307,000
June 16, 2020	AHS Turf/Track Imp	2,995,000	-	2,995,000	-	2,995,000
TOTAL SCHOOLS.....		39,021,000	11,948,000	2,995,000	1,640,000	13,303,000
GRAND TOTAL-ALL BONDED DEBT.....		51,260,000	19,270,000	3,275,000	2,535,000	20,010,000
BOND ANTICIPATION NOTES.....		-	-	-	-	-
TOTAL BONDS AND NOTES.....		$51,260,000	$19,270,000	$3,275,000	$2,535,000	$20,010,000

TOWN OF AVON, CONNECTICUT

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

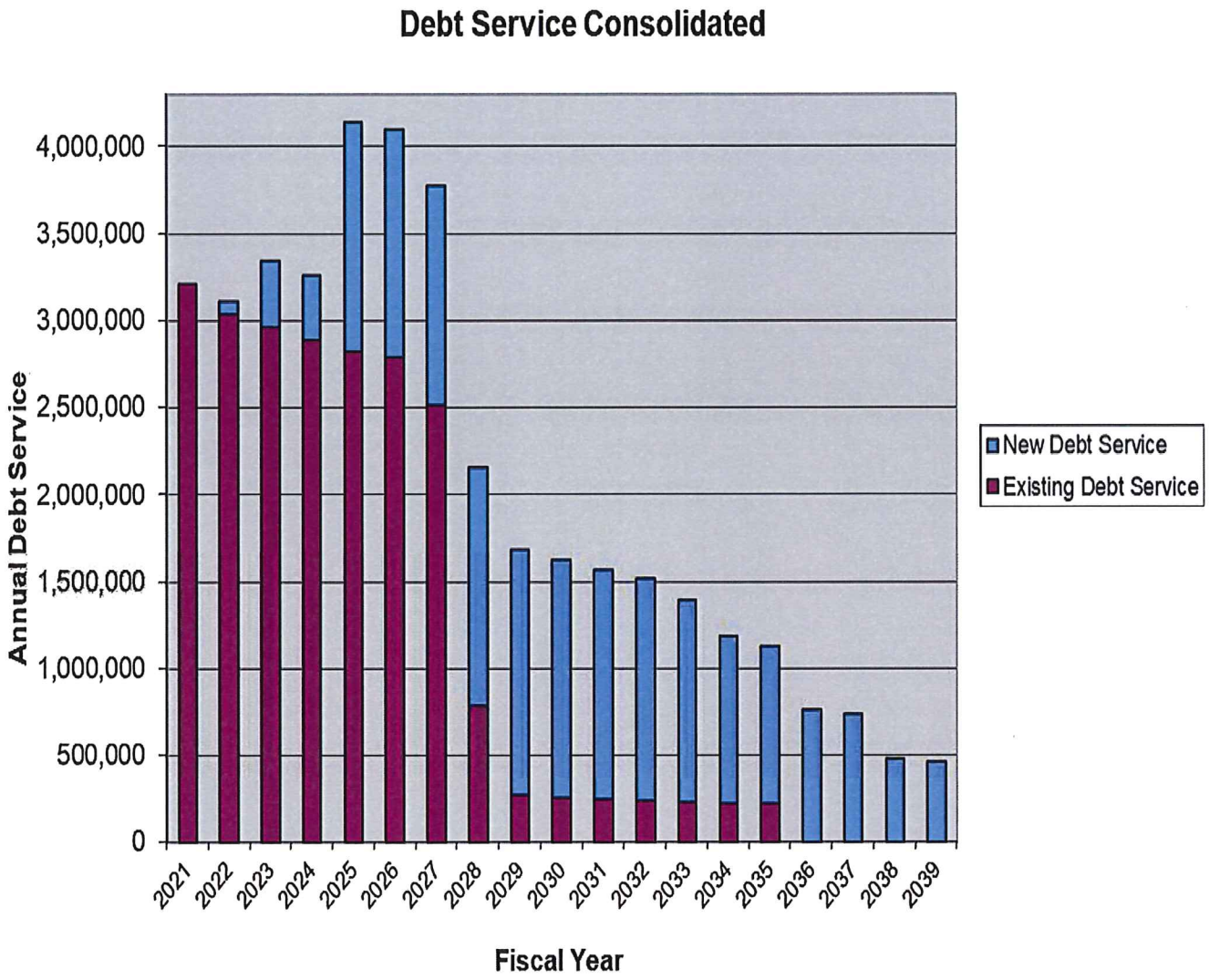
JUNE 30, 2020

Governmental Unit	Debt Outstanding	Estimated % Applicable	Estimated Share of Overlapping Debt
Overlapping District	$ 0	0%	$ 0
Town of Avon Direct Debt	$ 20,010,000	100%	$ 20,010,000
Total Direct and Overlapping Debt	$ 20,010,000	100%	$ 20,010,000

Sources: CAFR June 30, 2020

Notes: The Town of Avon has no overlapping debt.

Existing and Projected Net Debt Service



* This graph is for all Existing and Projected Debt Financing. **<u>The projected debt financing is an estimate, has not been approved, and is subject to revision</u>**. The following future projects have not been authorized at the time of printing and are included in the amounts illustrated on the graph:

- $4,700,000 Old Farms Road
- $5,000,000 Fire Station