

DEBT SERVICE

PROGRAM DESCRIPTION

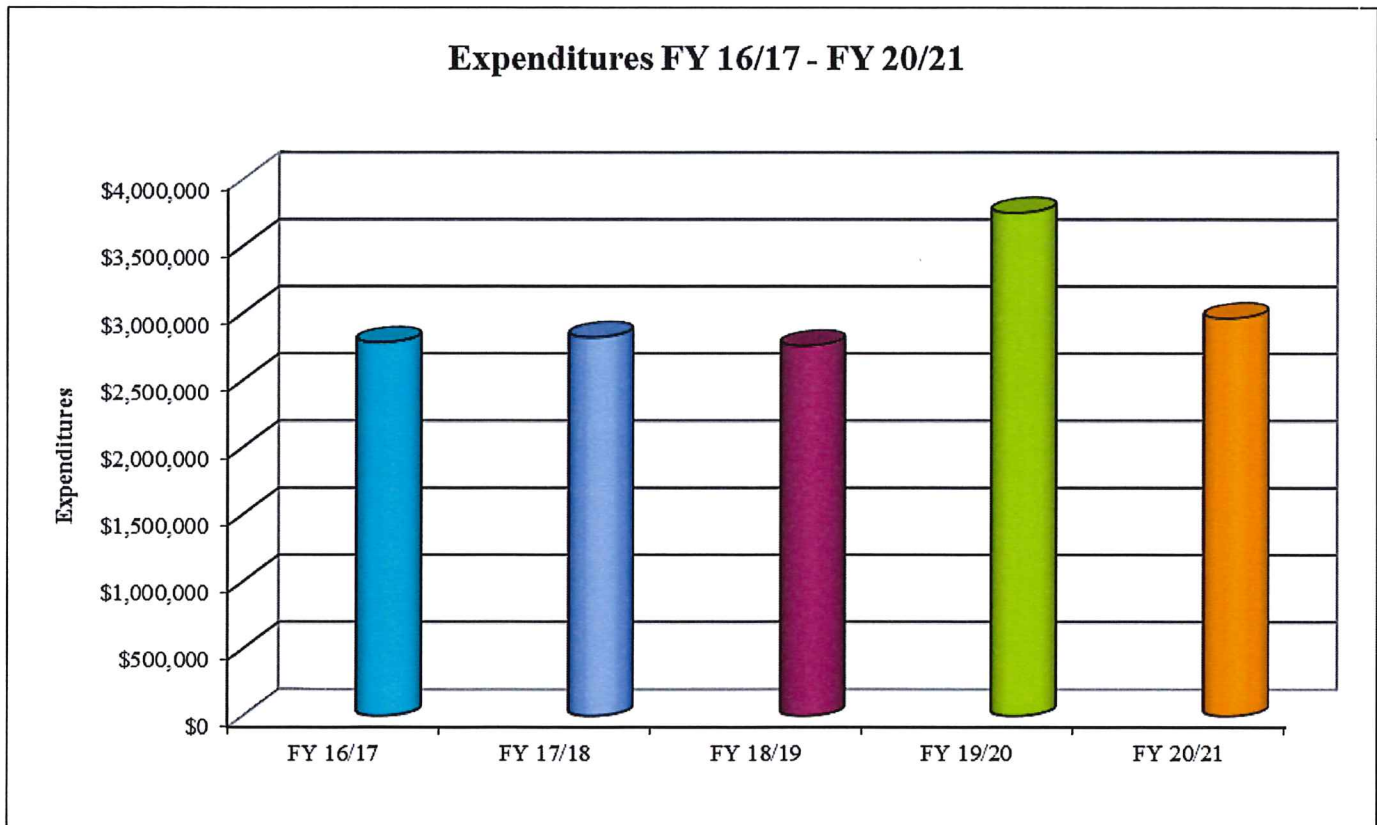
This series of accounts reflects those expenditures made by the Town for interest and principal payments for Short and Long-Term Debt.

PERSONNEL AND EXPENDITURES

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

PROGRAM COMMENTARY

	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	\$ Inc/(Dec)	% Inc/-Dec
Expenditures	\$2,779,790	\$2,818,850	\$2,755,750	\$3,746,038	\$2,959,750	(\$786,288)	-20.99%



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 more recent 2018 Land Acquisition, and the newly approved (December 2018) Avon High School Synthetic Turf Field and Track Improvement and Town and Public Safety Communication System Replacement projects. The \$2,959,750 in Debt is reflected in the General Fund appropriation.

PROGRAM COMMENTARY, continued

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.

While the Town's Debt Service was reduced by over 50% between 1983 and 1988, a 1988 decision to move forward with a systematic plan to renovate all and add new school facilities to accommodate increases in school enrollment, and programmatic changes to the school curriculum, resulted in a substantial increase in Debt Service over the past twenty years. The level of per capita debt peaked in 2010, and has been steadily declining. 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 2028). This strategy has been effective since 2005; 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, and again in 2018 by Moody's, as part of their regular surveillance cycle. As previously mentioned, the Town's debt load increased significantly during the last twenty years as it has built infrastructure to handle an increasing population and a corresponding increase in demand for services.

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 (despite a difficult weather year with Storms Alfred and Irene) 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, over a span of the 2016 through 2027 fiscal years, a total budgetary savings of \$385,413.

On July 18, 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, filing continuing disclosure submission with MSRB.

At a referendum held on December 12, 2018, two new projects were approved: the Avon High School Synthetic Turf Field and Track Improvement Project and the Town and Public Safety Communication System Replacement Project. To meet project cash flow needs prior to borrowing, in the spring through fall 2019, the Town temporarily financed the projects from the General Fund Unassigned Fund Balance. The expectation is to obtain a bank loan in spring of 2020 for the cost of the turf, then go to the market for a bond sale in late spring 2021, for a grand total of \$6,885,000 (\$2,995,000 and \$3,890,000, respectively).

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, 2018. Page A.22 lists statewide comparative debt figures and A.23 compares Avon's debt and credit ratings to similar communities.

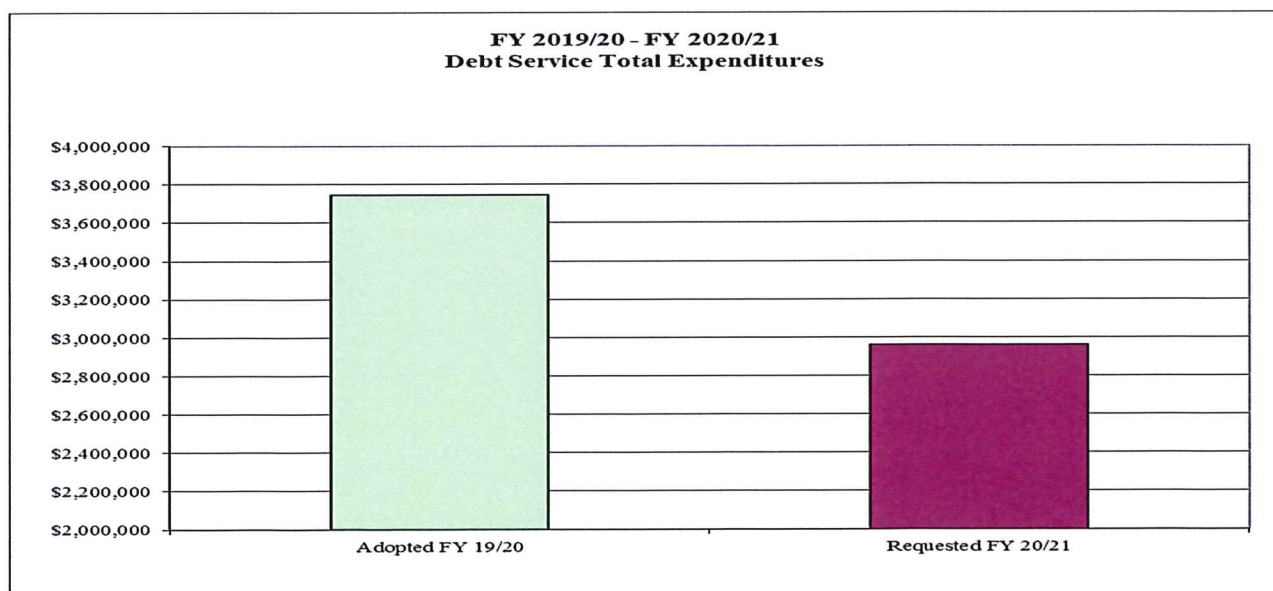
EFFECT OF EQUITY DEBT LEVEL ON ANNUAL AND FUTURE OPERATIONS

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. 8 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 July 2018, but not including any estimates on the two projects approved in December 2018), debt retirement will be 62% retired in five years and 100% 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 2019/2020	Requested FY 2020/2021	Adopted FY 2020/2021	Inc/(Dec) \$	Inc/-Dec %
Bonds and Notes*					
Expenditures	\$3,746,038	\$2,959,750	TBD	(\$786,288)	-20.99%

*Includes authorized, but unissued, debt service.



**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
2010	448,646,527	62,217,044	386,429,483	13.87%	17.22%
2011	470,001,581	58,609,091	411,392,490	12.47%	17.95%
2012	489,236,174	54,999,110	434,237,064	11.24%	18.54%
2013	504,598,451	35,312,055	469,286,396	7.00%	18.77%
2014	522,097,100	32,741,930	489,355,170	6.27%	19.42%
2015	532,901,257	27,635,000	505,266,257	5.19%	20.82%
2016	549,535,427	24,208,066	525,327,361	4.41%	20.64%
2017	566,261,220	21,884,367	544,376,853	3.86%	21.84%
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%	21.56%

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	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
2010	37,167,712	60,696	37,107,016	0.93%	2,053		2,053	3.97%
2011	33,487,141	180,079	33,307,062	0.84%	1,820		1,820	

DEBT OBLIGATIONS FISCAL YEAR 2020/2021

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 2020/2021 is \$2,959,750. 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	2020/2021				
					Debt Service				
General Purposes:									
Bonds:									
October 30, 2012	AFPL Renovations, Additions, Imp.	\$ 7,100,000	\$ 525,000	\$ 83,500	\$ 608,500				
March 15, 2016	Refunding, Town Hall Renovs.	964,000	135,000	28,640	163,640				
July 15, 2018	Land Purchase 2018	1,600,000	300,000	22,750	322,750				
December 12, 2018	Town/PS Comm. Sys. Repl.	3,890,000*	-	-	-				
Total General Purposes:		12,114,000	960,000	134,890	1,094,890				
Schools:									
Bonds:									
March 15, 2016	Refunding, AHS & AMS Renovations and Roof	10,346,000	1,465,000	310,010	1,775,010				
December 12, 2018	AHS Turf/Track Imp	2,995,000*	-	89,850	89,850				
Total Schools:		13,341,500	1,465,000	399,860	1,864,860				
Grand Total – All Debt		\$25,455,500	\$2,425,000	\$534,750	\$2,959,750				

* *Original Issue* estimated and subject to revision; formal issue of debt on this project pending at time of printing.

</

Town Manager's Budget Summary

Budget Fiscal Year: 2021 to 2021

Account# and Description	2019 Actual	2020 Base Budget	2020 Actual YTD	Department Head	Town Manager	Town Council	Board of Finance	Inc/Dec	%
9101 BONDS & NOTES									
SERVICES & SUPPLIES									
CONTRACTUAL SERV & PRINTING	2,755,750	3,746,038	2,363,117	3,567,513	2,959,750	0	0	(786,288)	(21)
Total SERVICES & SUPPLIES	2,755,750	3,746,038	2,363,117	3,567,513	2,959,750	0	0	(786,288)	(21)
Total 9101 BONDS & NOTES	2,755,750	3,746,038	2,363,117	3,567,513	2,959,750	0	0	(786,288)	(21)

Town Manager's Budget Detail

Budget Fiscal Year: 2021 to 2021

Account# and Description	2019 Actual	2020 Base Budget	2020 Actual YTD	Department Head	Town Manager	Town Council	Board of Finance	Inc/Dec	%
01-9101-52189 SERVICES - OTHE	2,755,750	3,746,038	2,363,117	3,567,513	2,959,750	0	0	(786,288)	(21)
PER BOND DEBT SERVICE									
OUTSTANDING 7/1/20-6/30/21									
\$608,500 (OCT12) AFPL;									
\$1,938,650 (MAR16) Refunding;									
\$322,750 (JUL18) Land Purch.;									
\$89,850 (DEC18) Turf/Track									
& Town/PS Comm Syst Impv.									
GEN FUND (01) \$2,959,750;									
SEWER FUND (05) \$0									
 Total DEBT SERVICE	 2,755,750	 3,746,038	 2,363,117	 3,567,513	 2,959,750	 0	 0	 (786,288)	 (21)
 Total 9101 BONDS & NOTE	 2,755,750	 3,746,038	 2,363,117	 3,567,513	 2,959,750	 0	 0	 (786,288)	 (21)

**TOWN OF AVON
GENERAL LONG-TERM DEBT OBLIGATIONS
SCHEDULE OF CHANGES IN BONDED INDEBTEDNESS
FOR THE YEAR ENDED JUNE 30, 2019**

DATE OF ISSUE	DESCRIPTION	ORIGINAL ISSUE	OUTSTANDING JULY 1, 2018	ISSUED	REDEEMED	OUTSTANDING JUNE 30, 2019
GENERAL PURPOSES:						
BONDS:						
October 15, 2009	Town Hall Renovations	\$2,295,000	\$295,000	-	\$150,000	\$145,000
October 30, 2012	AFPL Renovations, Additions, Imp.	7,100,000	4,975,000	-	350,000	4,625,000
March 15, 2016	General Purpose Refunding	964,000	952,000	-	-	952,000
July 15, 2018	Land Purchase	1,600,000	-	1,600,000	-	1,600,000
TOTAL GENERAL PURPOSES		11,959,000	6,222,000	1,600,000	500,000	7,322,000
SCHOOLS						
BONDS:						
October 15, 2009	School Construction- Avon High School Renovations	23,218,000	3,060,000	-	\$1,570,000	1,490,000
October 15, 2009	School Construction- Avon Middle School Roof	2,372,000	300,000	-	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
TOTAL SCHOOLS.....		36,026,000	13,668,000	-	1,720,000	11,948,000
GRAND TOTAL-ALL BONDED DEBT.....		47,985,000	19,890,000	1,600,000	2,220,000	19,270,000
BOND ANTICIPATION NOTES.....		-	-	-	-	-
TOTAL BONDS AND NOTES.....		\$47,				

TOWN OF AVON, CONNECTICUT

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

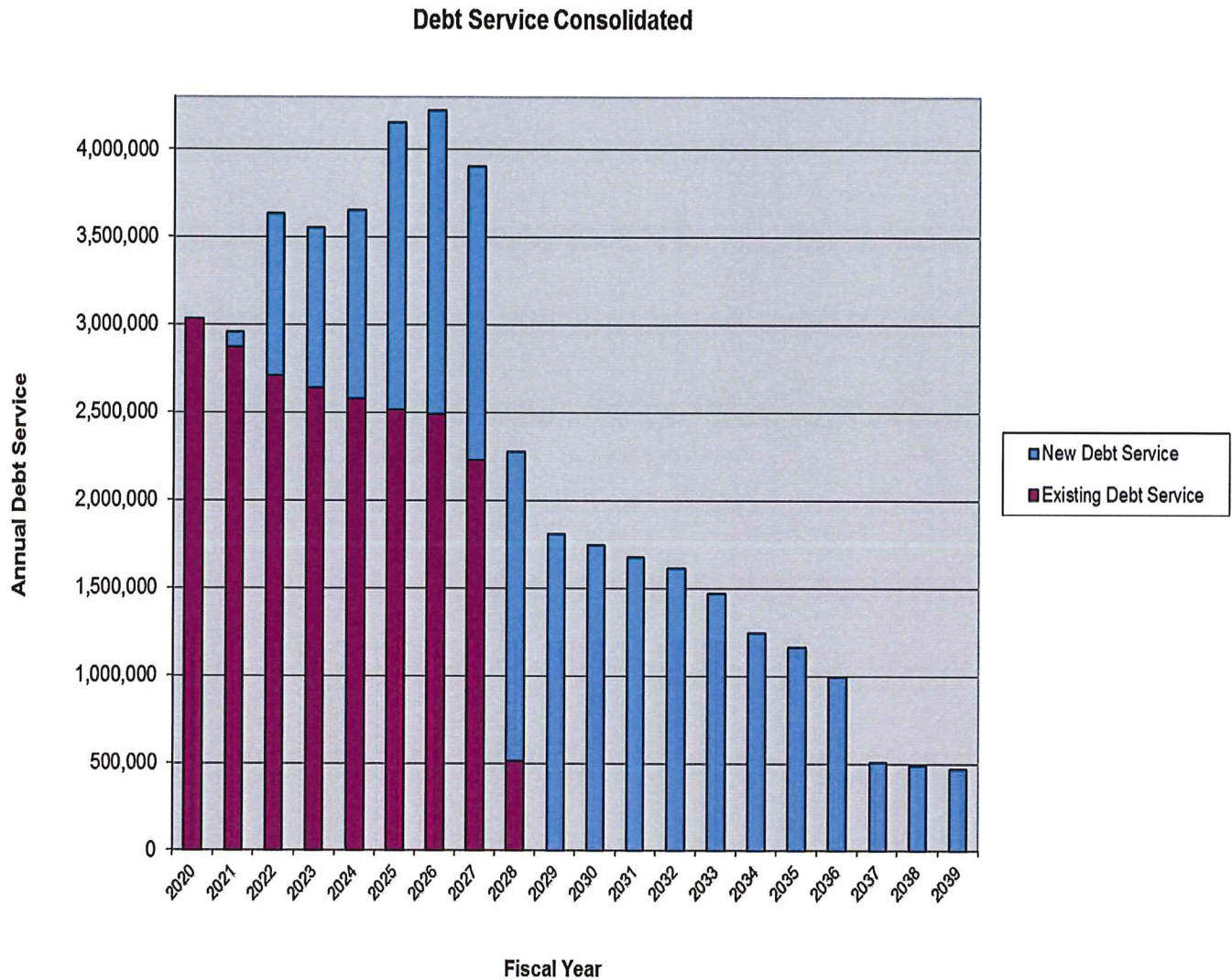
JUNE 30, 2019

Governmental Unit	Debt Outstanding	Estimated % Applicable	Estimated Share of Overlapping Debt
Overlapping District	\$ 0	0%	\$ 0
Town of Avon Direct Debt	\$ 19,270,000	100%	\$ 19,270,000
Total Direct and Overlapping Debt	\$ 19,270,000	100%	\$ 19,270,000

Sources: CAFR June 30, 2019

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. **The projected debt financing is an estimate, has not been approved, and is subject to revision.** This graph is based on the following:

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

