

DEBT SERVICE

PROGRAM DESCRIPTION

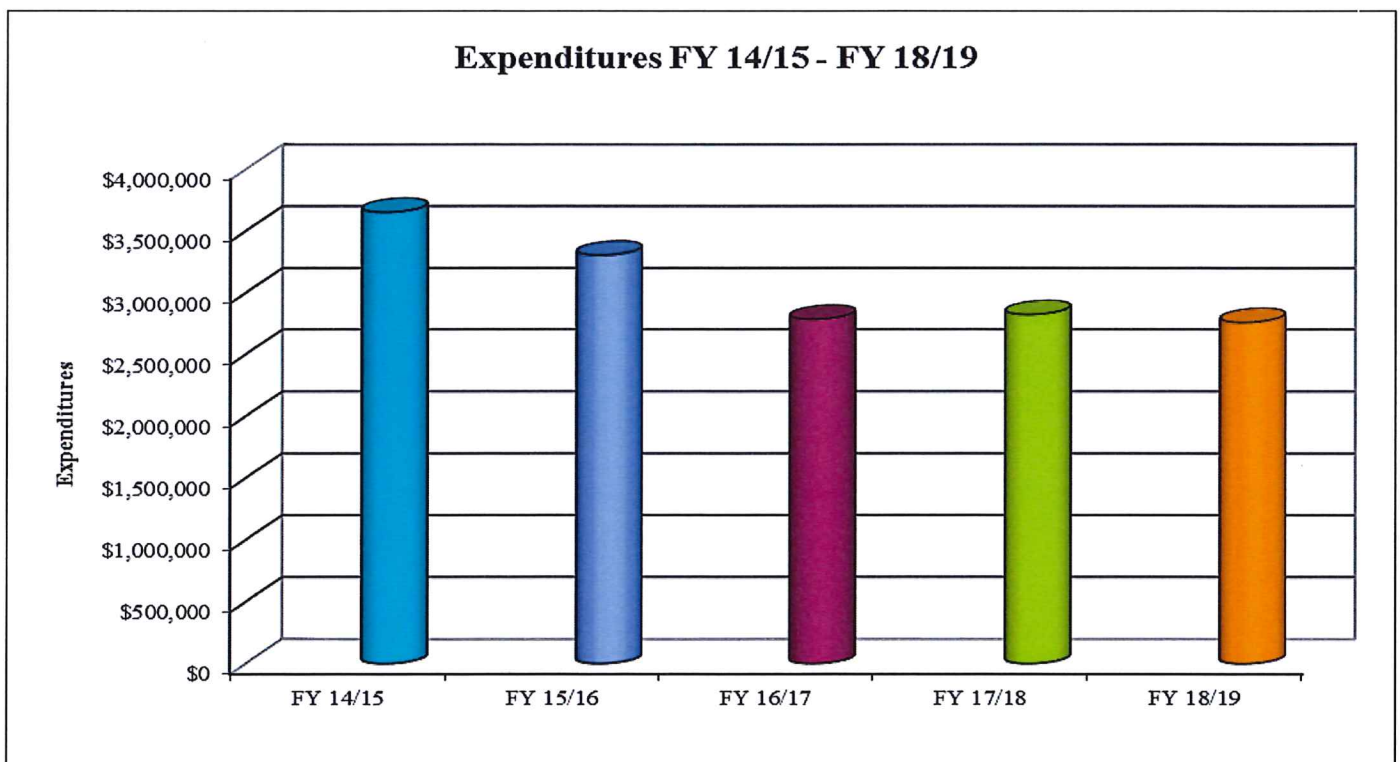
This series of accounts reflects those expenditures made by the Town for interest and principal payments for Short and Long-Term Debt.

PERSONNEL AND EXPENDITURES

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

PROGRAM COMMENTARY

	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019	\$ Inc/(Dec)	% Inc/-Dec
Expenditures	\$3,647,490	\$3,300,940	\$2,779,790	\$2,818,850	\$2,755,750	(\$63,100)	-2.24%



Debt Service reflects the pay down of existing debt from general obligation bond anticipation notes and bond issues for general purposes including previously approved school projects, including 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, and the Refunding Bonds, issue of March 2016. The \$2,755,750 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 was confirmed in June 2005 when Standard & Poor's reaffirmed Avon's Aaa/AAA rating, in 2008, by Moody's and Standard & Poor's, in 2009 and 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, and in 2016 by Moody's and Standard & Poor's for General Obligation Refunding Bonds. 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.

The graph on M.10 illustrates the Town's debt history and future projected net debt load (after state grants).

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

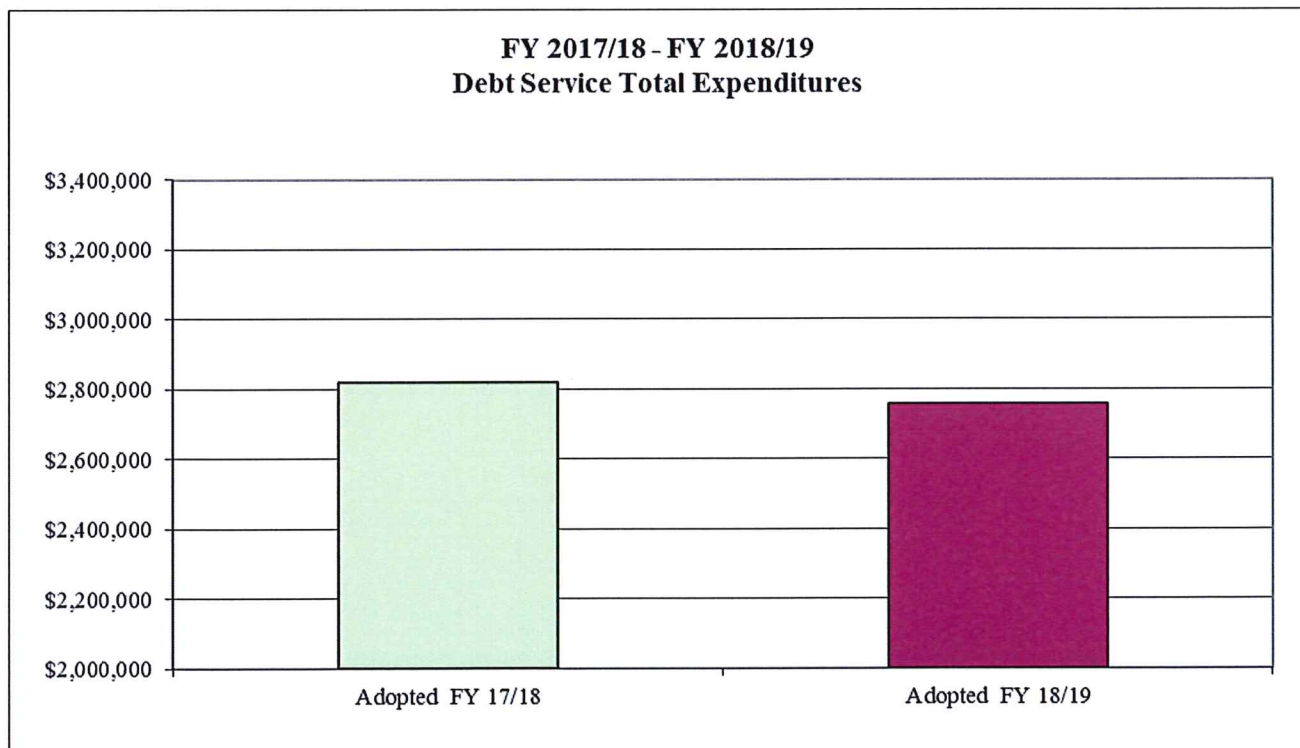
June 30, 2014. Page A.22 lists statewide comparative debt figures and A.23 compares Avon's debt and credit ratings to similar communities.

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 Refunding Bonds issued in March 2016, debt retirement will be 49% retired in five years and 98% retired in ten years. The outlook for the Town is continued maintenance of its modest debt position.

REQUESTED BUDGET SUMMARY DEBT SERVICE

	Appropriated FY 2017/2018	Requested FY 2018/2019	Adopted FY 2018/2019	Inc/(Dec) \$	Inc/-Dec %
Bonds and Notes					
Expenditures	\$2,818,850	\$2,755,750	\$2,755,750	(\$63,100)	-2.24%



TOWN OF AVON, CONNECTICUT

**SCHEDULE OF DEBT LIMITATION
FOR THE YEAR ENDED JUNE 30, 2017**

Total Tax Collections (Including Interest and Lien Fees) Received by Treasurer for Current Fiscal Year.....	\$77,028,265
Total Tax Collections (Including Interest and Lien Fees) Received by Treasurers of All Other Taxing Districts Within Town For Current Fiscal Year.....	3,789,489
Reimbursement for Revenue Loss: Tax Relief for Elderly.....	<u>76,706</u>
BASE FOR DEBT LIMITATION COMPUTATION.....	<u>\$80,894,460</u>

	GENERAL PURPOSES	SCHOOLS	SEWERS	URBAN RENEWAL	PENSION DEFICIT
DEBT LIMITATION					
2-¼ times base.....	\$182,012,535	\$	\$	\$	\$
4 -½ times base.....		364,025,070			
3-¾ times base.....			303,354,225		
3-¼ times base.....				262,906,995	
3 times base.....					242,683,380
TOTAL DEBT LIMITATION:	182,012,535	364,025,070	303,354,225	262,906,995	242,683,380
INDEBTEDNESS:					
Bonds Payable.....	6,722,000	15,388,000			
School Building Grants.....		(68,070)			
Sewer Assessment Receivable....			(157,564)		
NET INDEBTEDNESS (1)	6,722,000	15,319,930	(157,564)	-	-
DEBT LIMITATION IN EXCESS OF OUTSTANDING					
DEBT.....	\$175,290,535	\$348,705,140	\$303,511,789	\$262,906,995	\$242,683,380

(1) The total of the above net indebtedness amounts to: \$ 21,884,366

In no event shall total indebtedness exceed seven times the base for debt limitation computation: \$566,261,220

**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
2008	422,652,293	82,135,050	340,517,243	19.43%	18.98%
2009	442,469,867	84,129,441	358,340,426	19.01%	19.56%
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%

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 Bonds	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
2008	15,373,738		346,952	15,026,786	0.36%	864		864	1.67%
2009	12,262,647		167,405	12,095,242	0.29%	689		689	1.33%
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	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%

DEBT OBLIGATIONS FISCAL YEAR 2018/2019

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 for fiscal year 2018/2019 is \$2,755,750. 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.

		2018/2019			
Date of Issue	Description	Original Issue	Principal Obligation	Interest Obligation	Debt Service
General Purposes:					
Bonds:					
October 15, 2009	Town Hall Renovations	\$2,295,000	\$150,000	\$ 6,600	\$156,600
October 30, 2012	AFPL Renovations, Additions, Imp.	7,100,000	350,000	99,500	449,500
March 15, 2016	Refunding, Town Hall Renovs.	-	-	29,990	29,990
Total General Purposes:		9,395,000	500,000	136,090	636,090
Schools:					
Bonds:					
October 15, 2009	Avon High School Renovations	23,218,000	1,570,000	68,250	1,638,250
October 15, 2009	Avon Middle School Roof	2,372,000	150,000	6,750	156,750
March 15, 2016	Refunding, AHS & AMS Renovations and Roof	-	-	324,660	324,660
Total Schools:		25,590,000	1,720,000	399,660	2,119,660
Grand Total – All Debt		\$34,985,000	\$2,220,000	\$535,750	\$2,755,750

DEBT SERVICE

BONDS AND BOND ANTICIPATION NOTES, continued

PROJECTED SCHOOL CONSTRUCTION REIMBURSEMENTS

Pursuant to Public Act No. 97-11, the State of Connecticut provided proportional progress payments for eligible school construction expenses on projects approved after July 1, 1996. Debt service reimbursement will continue under the prior program for all projects approved prior to July 1, 1996. Under the prior program, the State of Connecticut reimbursed the Town for principal and interest costs for eligible school construction projects over the life of outstanding school bonds and the subsequent bond issues necessary to completely fund school projects.

As of July 1, 2013 and future fiscal years, the Town expects to receive principal grant reimbursements under the prior program in an aggregate amount of \$0.00. In fiscal year 2015, school building grants of \$68,070 were due to the Town from the State and were recorded as a receivable. As of 2017, the grant is still recorded on the books as a receivable.

A listing of all State and Federal reimbursement grants is found on page B. 4.

Town of Avon
Board of Finance's Budget Summary
Fiscal Year 2018/2019

<u>Account and Description</u>	<u>2017 Actual</u>	<u>2018 Base Budget</u>	<u>2018 Actual YTD</u>	<u>Department Head</u>	<u>Town Manager</u>	<u>Town Council</u>	<u>Board of Finance</u>	<u>Inc/Dec</u>	<u>%</u>
9101 BONDS & NOTES									
SERVICES & SUPPLIES									
CONTRACTUAL SERV & PRINTING	3,029,750	2,818,850	2,415,600	2,755,750	2,755,750	2,755,750	2,755,750	-63,100	-2.24
<u>Total SERVICES & SUPPLIES</u>	<u>3,029,750</u>	<u>2,818,850</u>	<u>2,415,600</u>	<u>2,755,750</u>	<u>2,755,750</u>	<u>2,755,750</u>	<u>2,755,750</u>	<u>-63,100</u>	<u>-2</u>
<u>Total 9101 BONDS & NOTES</u>	<u>3,029,750</u>	<u>2,818,850</u>	<u>2,415,600</u>	<u>2,755,750</u>	<u>2,755,750</u>	<u>2,755,750</u>	<u>2,755,750</u>	<u>-63,100</u>	<u>-2</u>

Town of Avon
Board of Finance's Budget Detail
Fiscal Year 2018/2019

<u>Account#</u>	<u>Description</u>	<u>2017 Actual</u>	<u>2018 Base Budget</u>	<u>2018 Actual YTD</u>	<u>Department Head</u>	<u>Town Manager</u>	<u>Town Council</u>	<u>Board of Finance</u>	<u>Inc/Dec</u>	<u>%</u>
01-9101-52189	SERVICES - OTHER	3,029,750	2,818,850	2,415,600	2,755,750	2,755,750	2,755,750	2,755,750	-63,100	-2.24
PER BOND DEBT SERVICE SCHEDULES 7/1/18-6/30/19 \$2,755,750 FOR EXISTING DEBT GEN FUND (01) \$2,755,750 SEWER FUND (05) \$0 AS DEBT RETIRED IN 12/13										
	<u>_Total_ DEBT SERVICE</u>	<u>3,029,750</u>	<u>2,818,850</u>	<u>2,415,600</u>	<u>2,755,750</u>	<u>2,755,750</u>	<u>2,755,750</u>	<u>2,755,750</u>	<u>-63,100</u>	<u>-2</u>
	<u>_Total_ 9101 BONDS & NOTES</u>	<u>3,029,750</u>	<u>2,818,850</u>	<u>2,415,600</u>	<u>2,755,750</u>	<u>2,755,750</u>	<u>2,755,750</u>	<u>2,755,750</u>	<u>-63,100</u>	<u>-2</u>

**TOWN OF AVON
GENERAL LONG-TERM DEBT OBLIGATIONS
SCHEDULE OF CHANGES IN BONDED INDEBTEDNESS
FOR THE YEAR ENDED JUNE 30, 2017**

DATE OF ISSUE	DESCRIPTION	ORIGINAL ISSUE	OUTSTANDING JULY 1, 2016	ISSUED	REDEEMED	OUTSTANDING JUNE 30, 2017
GENERAL PURPOSES:						
BONDS:						
October 15, 2009	Town Hall Renovations	\$2,295,000	\$595,000	-	\$150,000	\$445,000
October 30, 2012	AFPL Renovations, Additions, Imp.	7,100,000	5,800,000	-	475,000	5,325,000
March 15, 2016	General Purpose Refunding	964,000	952,000	-	-	952,000
TOTAL GENERAL PURPOSES		10,359,000	7,347,000	-	625,000	6,722,000
SCHOOLS						
BONDS:						
October 15, 2009	School Construction- Avon High School Renovations	23,218,000	6,220,000	-	\$1,590,000	4,630,000
October 15, 2009	School Construction- Avon Middle School Roof	2,372,000	600,000	-	150,000	450,000
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	17,128,000	-	1,740,000	15,388,000
GRAND TOTAL-ALL BONDED DEBT.....		46,385,000	24,475,000	-	2,365,000	22,110,000
BOND ANTICIPATION NOTES.....		-	-	-	-	-
TOTAL BONDS AND NOTES.....		\$46,385,000	\$24,475,000	-	\$2,365,000	\$22,110,000

TOWN OF AVON, CONNECTICUT

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

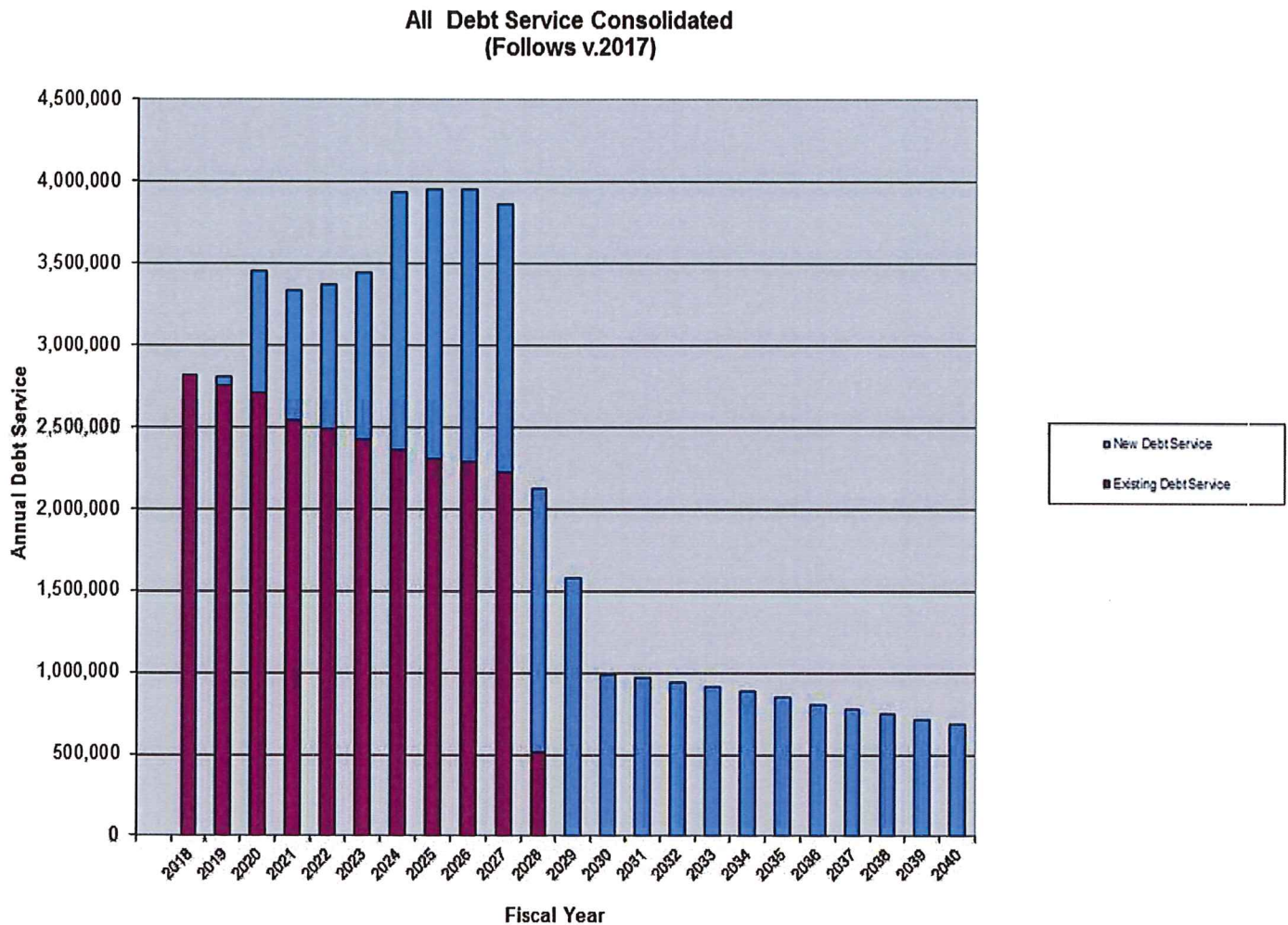
JUNE 30, 2017

Governmental Unit	Debt Outstanding	Estimated % Applicable	Estimated Share of Overlapping Debt
Overlapping District	\$ 0	0%	\$ 0
Town of Avon Direct Debt	\$ 22,110,000	100%	\$ 22,110,000
Total Direct and Overlapping Debt	\$ 22,110,000	100%	\$ 22,110,000

Sources: CAFR June 30, 2017

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:

- \$2,500,000 Athletic Fields/Facilities
- \$3,000,000 Public Safety Radio System
- \$6,000,000 Old Farms Road
- \$5,000,000 Fire Station/Training