

# DEBT SERVICE

## PROGRAM DESCRIPTION

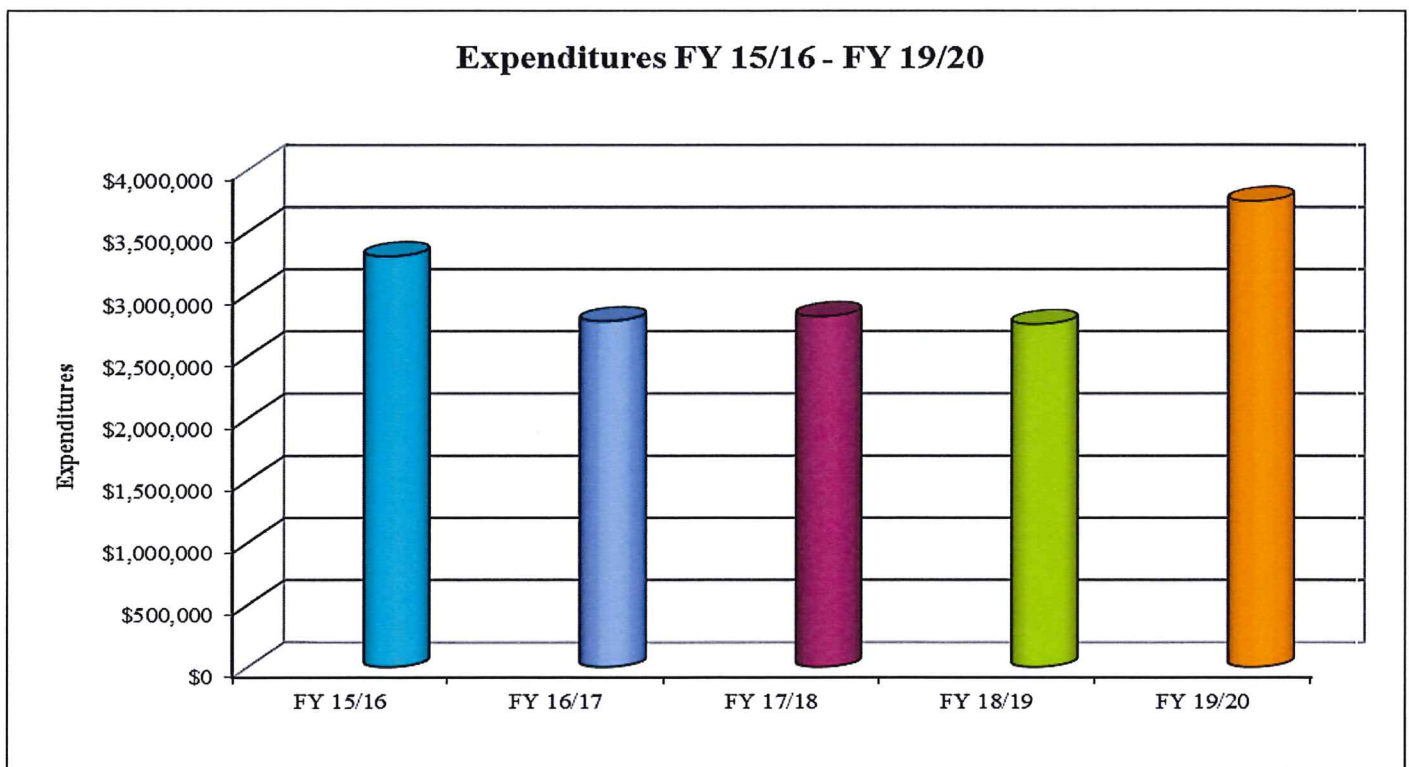
This series of accounts reflects those expenditures made by the Town for interest and principal payments for Short and Long-Term Debt.

## PERSONNEL AND EXPENDITURES

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

## PROGRAM COMMENTARY

	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	\$ Inc/(Dec)	% Inc/-Dec
Expenditures	\$3,300,940	\$2,779,790	\$2,818,850	\$2,755,750	\$3,746,038	\$990,288	35.94%



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 \$3,746,038 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. The Town is considering temporary financing for the projects from General Fund Unassigned Fund Balance in the spring of 2019 through the fall of 2019, to meet project cash flow needs prior to borrowing. Anticipating going to the market for a bond sale in late fall 2019, for a grand total of \$6,885,000 (\$2,995,000 and \$3,890,000, respectively).

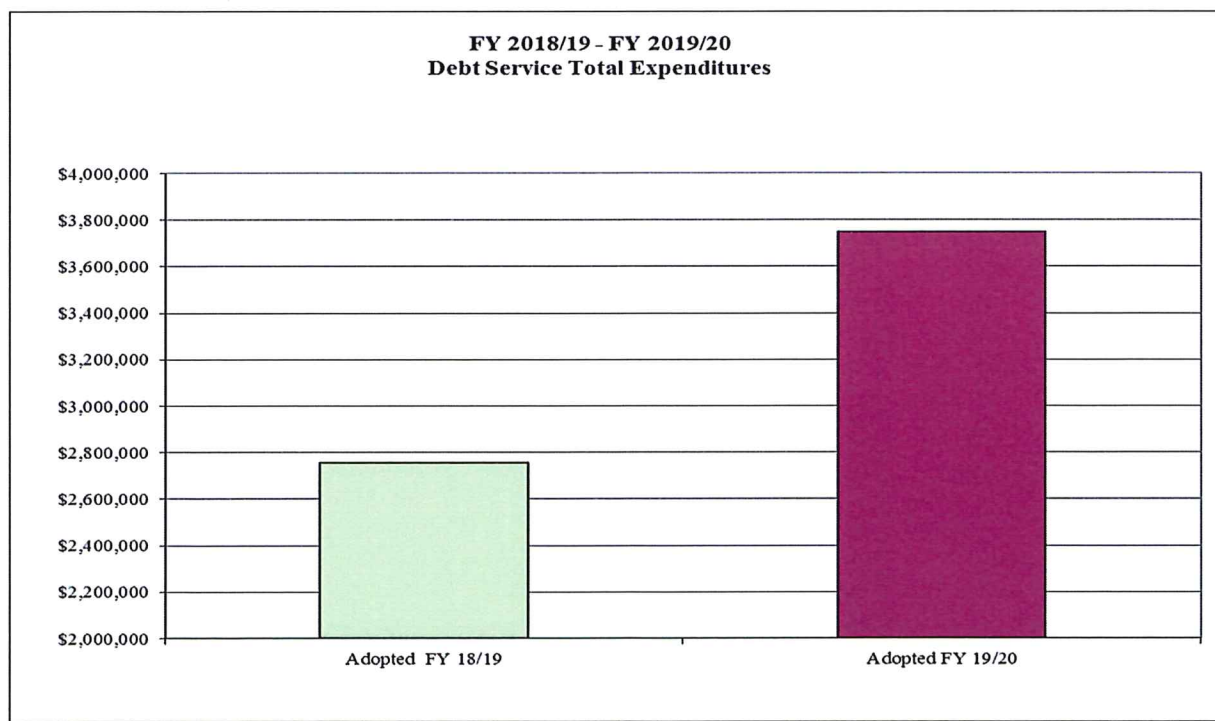
The Tables on M. 5 reflect the Legal Debt Margin Information for the last ten fiscal years, and the Ratio of Net General Bonded Debt to Assessed Value and Net General Bonded Debt Per Capita for the last ten years. The table on the following page illustrates the Schedule of Changes in Bonded Indebtedness 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 54% retired in five years and 100% retired in ten years. The outlook for the Town is continued maintenance of its modest debt position.

### REQUESTED BUDGET SUMMARY DEBT SERVICE

	Appropriated FY 2018/2019	Requested FY 2019/2020	Adopted FY 2019/2020	Inc/(Dec) \$	Inc-/Dec %
<b>Bonds and Notes</b>					
Expenditures	\$2,755,750	\$3,746,038	\$3,746,038	\$990,288	35.94%



**SCHEDULE OF DEBT LIMITATION  
FOR THE YEAR ENDED JUNE 30, 2018**

M. 4

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

<b>Fiscal Year</b>	<b>Debt Limit</b>	<b>Total Net Debt Applicable to Limit</b>	<b>Legal Debt Margin</b>	<b>Total Net Debt Applicable to the Limit as a % of Debt Limit</b>	<b>Debt Limit as a % of Assessed Value</b>
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%
2018	566,255,025	19,773,495	546,481,530	3.49%	21.68%

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**

<b>Fiscal Year</b>	<b>General Bonded Debt</b>	<b>Accumulated Resources Restricted For Debt Repayment</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net General Bonded Debt to Estimated Actual Taxable Value</b>	<b>Bonded Debt per Capita</b>	<b>Capital Leases</b>	<b>Total Debt Per Capita</b>	<b>% of Personal Income</b>
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%
2018	21,149,685	49,680	21,100,005	0.56%	1,152	358,138	1,172	1.74%

# DEBT OBLIGATIONS FISCAL YEAR 2019/2020

## 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 2019/2020 is \$3,746,038. 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	2019/2020 Debt Service
General Purposes:					
Bonds:					
October 15, 2009	Town Hall Renovations	\$2,295,000	\$145,000	\$ 2,175	\$147,175
October 30, 2012	AFPL Renovations, Additions, Imp.	7,100,000	450,000	92,500	542,500
March 15, 2016	Refunding, Town Hall Renovs.	-	-	29,990	29,990
July 15, 2018	Land Purchase 2018	1,600,000	300,000	28,000	328,000
December 12, 2018	Town/PS Comm. Sys. Repl.	3,890,000*	260,000	140,738	400,738
Total General Purposes:		14,885,000	1,155,000	293,403	1,448,403
Schools:					
Bonds:					
October 15, 2009	Avon High School Renovations	23,218,000	1,490,000	22,350	1,512,350
October 15, 2009	Avon Middle School Roof	2,372,000	150,000	2,250	152,250
March 15, 2016	Refunding, AHS & AMS Renovations and Roof	-	-	324,660	324,660
December 12, 2018	AHS Turf/Track Imp	2,995,000*	200,000	108,375	308,375
Total Schools:		28,585,000	1,840,000	457,635	2,297,635
Grand Total – All Debt		\$43,470,000	\$2,995,000	\$751,038	\$3,746,038

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

**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 years 2015, 2016, and 2017, school building grants of \$68,070 were due to the Town from the State and were recorded as a receivable. As of 2018, the funds were received and the reimbursement is complete.

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 2019/2020

<u>Account and Description</u>	<u>2018 Actual</u>	<u>2019 Base Budget</u>	<u>2019 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	2,818,850	2,755,750	2,356,000	3,036,925	3,746,038	3,746,038	3,746,038	990,288	35.94
<u>Total SERVICES &amp; SUPPLIES</u>	<u>2,818,850</u>	<u>2,755,750</u>	<u>2,356,000</u>	<u>3,036,925</u>	<u>3,746,038</u>	<u>3,746,038</u>	<u>3,746,038</u>	<u>990,288</u>	<u>36</u>
<u>Total 9101 BONDS &amp; NOTES</u>	<u>2,818,850</u>	<u>2,755,750</u>	<u>2,356,000</u>	<u>3,036,925</u>	<u>3,746,038</u>	<u>3,746,038</u>	<u>3,746,038</u>	<u>990,288</u>	<u>36</u>



Town of Avon  
Board of Finance's Budget Detail  
Fiscal Year 2019/2020

<u>Account#</u>	<u>Description</u>	<u>2018 Actual</u>	<u>2019 Base Budget</u>	<u>2019 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	2,818,850	2,755,750	2,356,000	3,036,925	3,746,038	3,746,038	3,746,038	990,288	35.94
PER BOND DEBT SERVICE OUTSTANDING 7/1/18-6/30/19 \$2,708,925. \$328,000 (JUL18) Land Purch.; \$709,113 est. (DEC18) Turf/Track & Town/PS Comm Syst Impv.										
	<u>_Total_DEBT SERVICE</u>	<u>2,818,850</u>	<u>2,755,750</u>	<u>2,356,000</u>	<u>3,036,925</u>	<u>3,746,038</u>	<u>3,746,038</u>	<u>3,746,038</u>	<u>990,288</u>	<u>36</u>
	<u>_Total_9101 BONDS &amp; NOTES</u>	<u>2,818,850</u>	<u>2,755,750</u>	<u>2,356,000</u>	<u>3,036,925</u>	<u>3,746,038</u>	<u>3,746,038</u>	<u>3,746,038</u>	<u>990,288</u>	<u>36</u>

**TOWN OF AVON  
GENERAL LONG-TERM DEBT OBLIGATIONS  
SCHEDULE OF CHANGES IN BONDED INDEBTEDNESS  
FOR THE YEAR ENDED JUNE 30, 2018**

DATE OF ISSUE	DESCRIPTION	ORIGINAL ISSUE	OUTSTANDING JULY 1, 2017	ISSUED	REDEEMED	OUTSTANDING JUNE 30, 2018
GENERAL PURPOSES:						
BONDS:						
October 15, 2009	Town Hall Renovations	\$2,295,000	\$445,000	-	\$150,000	\$295,000
October 30, 2012	AFPL Renovations, Additions, Imp.	7,100,000	5,325,000	-	350,000	4,975,000
March 15, 2016	General Purpose Refunding	964,000	952,000	-	-	952,000
TOTAL GENERAL PURPOSES		10,359,000	6,722,000	-	500,000	6,222,000
SCHOOLS						
BONDS:						
October 15, 2009	School Construction- Avon High School Renovations	23,218,000	4,630,000	-	\$1,570,000	3,060,000
October 15, 2009	School Construction- Avon Middle School Roof	2,372,000	450,000	-	150,000	300,000
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	15,388,000	-	1,720,000	13,668,000
GRAND TOTAL-ALL BONDED DEBT.....		46,385,000	22,110,000	-	2,220,000	19,890,000
BOND ANTICIPATION NOTES.....		-	-	-	-	-
TOTAL BONDS AND NOTES.....		\$46,385,000	\$22,110,000	-	\$2,220,000	\$19,890,000

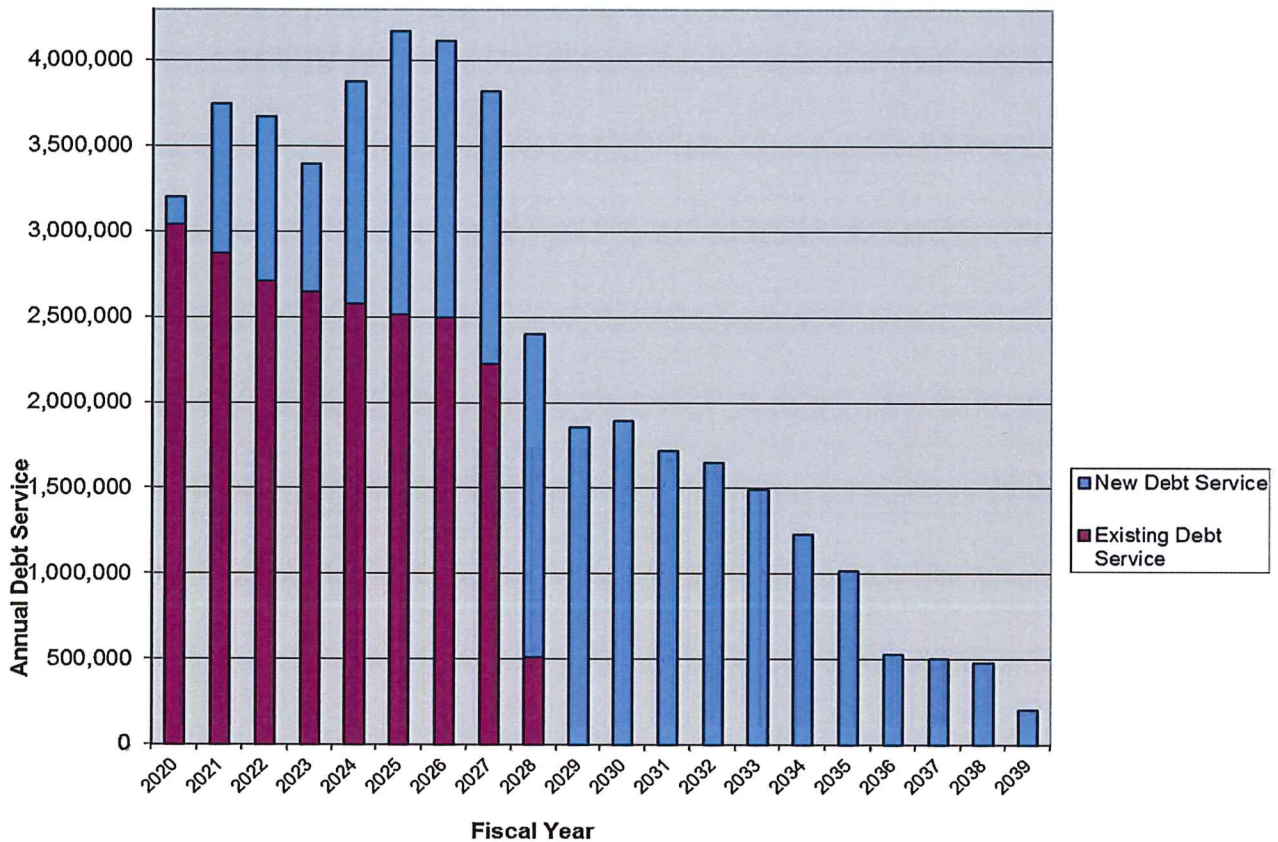
**TOWN OF AVON, CONNECTICUT**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**JUNE 30, 2018**

<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Estimated % Applicable</b>	<b>Estimated Share of Overlapping Debt</b>
Overlapping District	\$ 0	0%	\$ 0
Town of Avon Direct Debt	\$ 19,890,000	100%	\$ 19,890,000
Total Direct and Overlapping Debt	\$ 19,890,000	100%	\$ 19,890,000

Sources: CAFR June 30, 2018

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/Training