

# Fire Station Finance Scenarios

February 2023

# Assumptions

1. The overall project cost shall not exceed \$22.5M.
2. The building project will take at least one year and should be finished within two years.
3. The Fire District will obtain bond anticipation notes in the first two years, and then secure a long-term bond (e.g. 25 years) when final construction costs are known.

# Bond Anticipation Note Scenario

## Note 1

- \$11.5M\*
- 3.25% interest
- 1-year term
- Interest: \$373,750

## Note 2

- \$20.5M\*
- Issue date: one year anniversary of Note 1
- 3% interest
- 1-year term
- Interest: \$615,000

*\*actual amounts may change depending on construction schedule*

# 25-Year Bond : Four Scenarios Modeled

## Scenarios

1. Equal principal
2. Equal principal with early principal payments
3. Level debt service
4. Level debt service with early principal payments

### All scenarios assume:

- \$22.5M project
- Two successive one-year Bond Anticipation Notes (BANs) to finance construction (\$11.5M and \$21.5M). BAN #2 pays off BAN #1
- \$19.5M 25 year Bond at 4.5% interest to pay off BAN #2
- \$5M gift from College over 5 years
  - Year 1 & 2 - \$1M each year to cover construction costs
  - Year 3 - \$1M to help pay off BAN #2
  - Years 4&5 - \$1M each year to help repay 25-year bond

# Bond Repayment Options

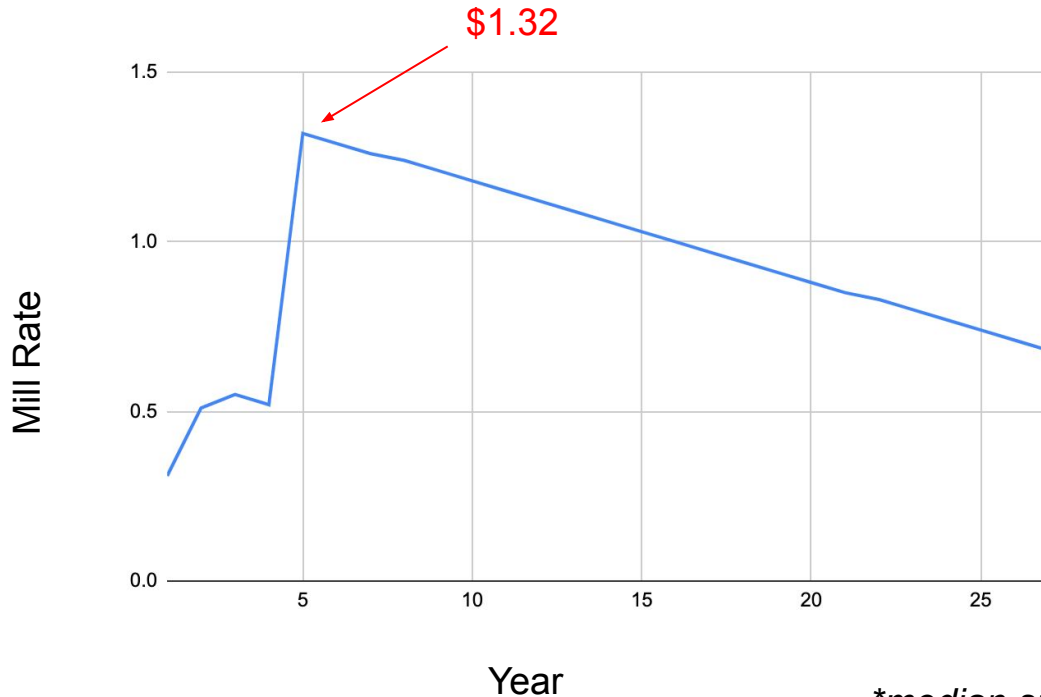
Level Debt Service : equal payments of principal and interest over time, meaning that in early years a bigger fraction of the payments go toward interest. Over time, an increasing portion of the payments pay down principal. This is how most home mortgages are structured.

Equal Principal : each payment pays down an equal amount of principal plus interest due at the time of payment. Payments in early years are higher.

*Level Debt Service would have less of a tax rate impact in the early years of the bond.*

*Equal Principal would reduce the overall cost of the financing. (See slide 10)*

# Long-term Debt Scenario 1 - Equal Principal

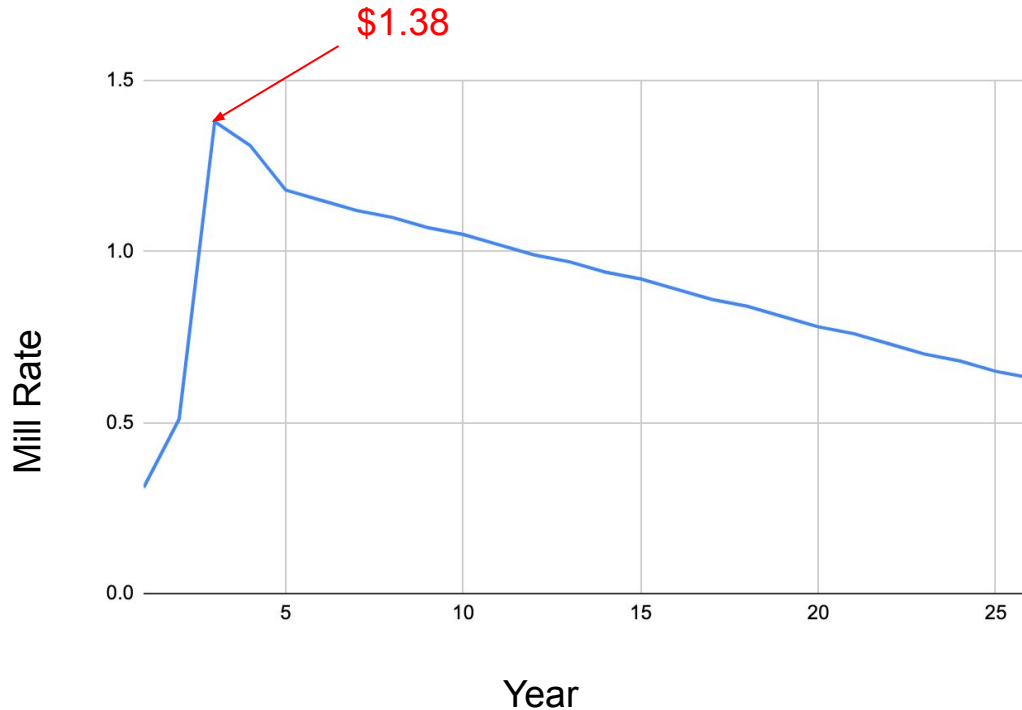


Average annual tax rate impact: **\$0.92** per mil

Assessment	Additional Tax Each Year
\$200K	\$184
<b>\$358.6K*</b>	<b>\$330</b>
\$400K	\$368
\$600K	\$552

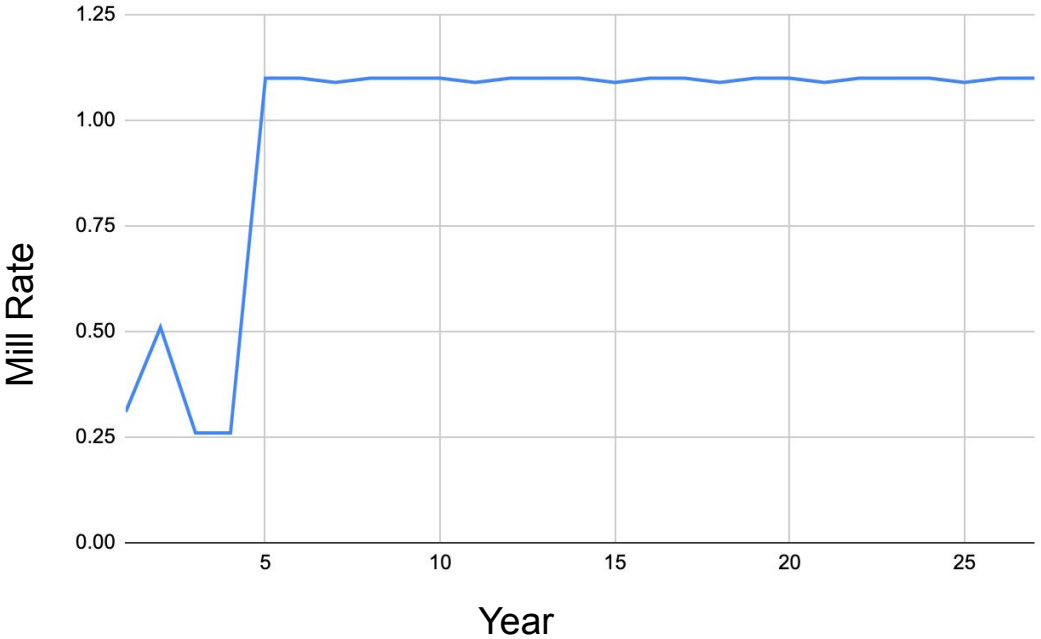
*\*median single-family home assessment*

# Long-term Debt Scenario 2 - Equal principal with early principal paydown



Average annual tax rate impact: <b>\$0.89</b> per mil	
Assessment	Additional Tax Each Year
\$200K	\$178
<b>\$358.6K</b>	<b>\$319</b>
\$400K	\$356
\$600K	\$534

# Long-term Debt Scenario 3 - Level Debt Service

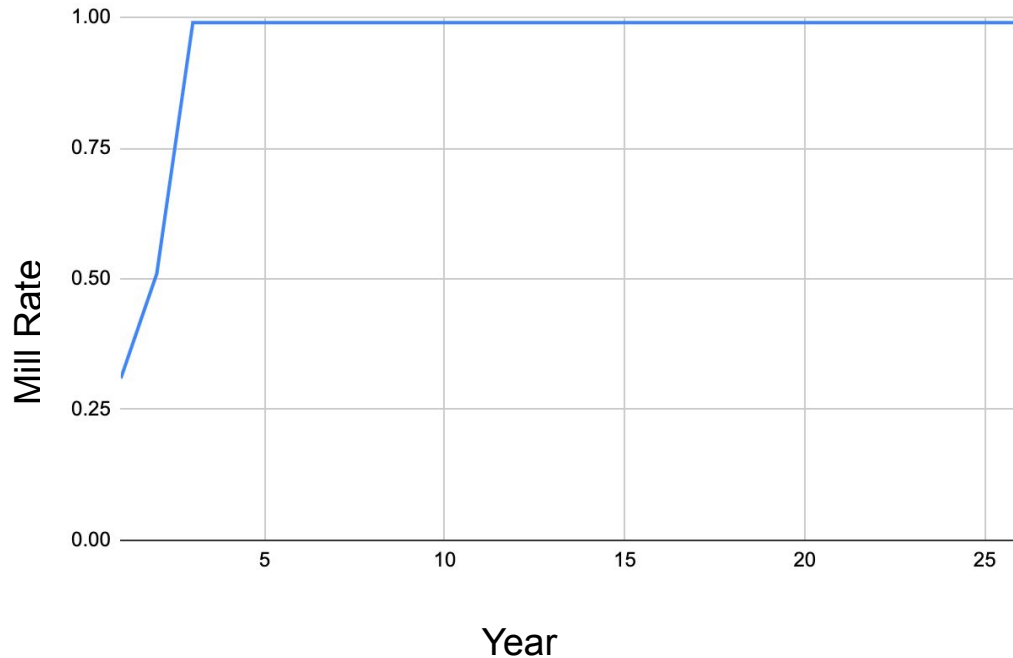


Average annual tax rate impact: **\$0.98** per mil

Assessment	Additional Tax Each Year
\$200K	\$196
<b>\$358.6K</b>	<b>\$351</b>
\$400K	\$392
\$600K	\$588



# Long-term Debt Scenario 4 - Level Debt Service with early principal paydown



Average annual tax rate impact: **\$0.94** per mil

Assessment	Additional Tax Each Year
\$200K	\$188
<b>\$358.6K</b>	<b>\$337</b>
\$400K	\$376
\$600K	\$564

# Scenario Comparison

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
	Equal Principal	Equal Principal with early payoff	Level Debt Service	Level Debt Service with early payoff
Total Net Debt Service	\$29.9M	\$28.7M	\$31.29	\$30.7M
Total Interest Paid	\$11.4M	\$10.2M	\$13.4M	\$12.2M
Average Mill Rate Impact	\$0.92	\$0.89	\$1.10	\$0.99
Average additional annual property tax on \$358.6K assessment	\$330	\$319	\$351	\$337