

Tax Impact of a Major Facility Project:

Tax Base projection used:

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Residential	9,264,085	9,782,168	9,884,946	9,212,294	8,198,942	7,625,016	7,625,016	7,853,766	
Non-homestead Residential	1,895,626	2,117,702	2,228,407	2,257,193	2,257,193	2,257,193	2,257,193	2,257,193	
Commercial / Industrial	3,476,672	4,266,574	4,387,040	4,398,687	4,398,687	4,398,687	4,398,687	4,398,687	
Agricultural	31,306	35,780	39,450	62,024	62,024	62,024	62,024	62,024	
Other	242,701	154,900	153,629	114,506	114,506	114,506	114,506	114,506	
Total tax capacity	14,910,390	16,357,124	16,693,472	16,044,704	15,031,352	14,457,426	14,457,426	14,686,176	14,979,900
				(648,768)	(1,013,352)	(573,926)	-	228,750	293,724
				-3.89%	-6.32%	-3.82%	0.00%	1.58%	2.00%

Please note that the numbers above are tax capacity – not market value. It assumes an 11% decrease in the residential market for 2011, less of a decrease in 2012 – stabilization in 2013 with some growth in 2014 and 2% growth for 2015 and 2016. For all scenarios, the bond sale would occur in the spring of 2011 with the first levy starting in 2012.

Summary

Shown on the following pages are four different bond amortization scenarios with their accompanying “tax impact” on the seven different properties. All examples have the corresponding debt levy on a tax capacity basis rather than market value. In addition to the changes in individual tax bills, please note the total interest expense noted for each scenario. An average interest rate of 3.95% is used for the general obligation bonds and 4.75% for the revenue bonds.

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Tax Impact of one bond issue – Scenario #1: Standard, even annual payment over 20 years

Bond issue size: \$8,640,000 and includes cost of issuance / total interest expense is \$3,961,851.

Impact - Property Owner:								
	Hstd Res	Hstd Res	#1 C/I	#2 C/I	#3 C/I	#4 C/I	#5 C/I	
	230,000	345,000	230,900	459,100	726,000	1,616,000	7,928,100	
	2,300	3,450	3,868	8,432	13,770	31,570	157,812	
2012	\$ 97.12	\$ 145.68	\$ 163.33	\$ 356.05	\$ 581.45	\$ 1,333.07	\$ 6,663.73	
2013	\$ 95.47	\$ 143.20	\$ 160.55	\$ 350.00	\$ 571.57	\$ 1,310.42	\$ 6,550.54	
2014	\$ 100.26	\$ 150.38	\$ 168.60	\$ 367.55	\$ 600.23	\$ 1,376.12	\$ 6,878.96	
2015	\$ 96.38	\$ 144.57	\$ 162.09	\$ 353.34	\$ 577.02	\$ 1,322.92	\$ 6,612.99	
2016	\$ 96.41	\$ 144.62	\$ 162.14	\$ 353.46	\$ 577.22	\$ 1,323.36	\$ 6,615.23	

Interesting note . . . what's the impact of getting a better rate in the market place? If this issue were sold with an average interest rate of 5%, the total interest cost would be \$5,015,000.

Tax Impact of one bond issue – Scenario #2: Graduated annual payment over 20 years

Bond issue size: \$8,640,000 and includes cost of issuance / total interest expense is \$4,636,115.

Impact - Property Owner:								
	Hstd Res	Hstd Res	#1 C/I	#2 C/I	#3 C/I	#4 C/I	#5 C/I	
	230,000	345,000	230,900	459,100	726,000	1,616,000	7,928,100	
	2,300	3,450	3,868	8,432	13,770	31,570	157,812	
2012	\$ 81.57	\$ 122.35	\$ 137.18	\$ 299.04	\$ 488.35	\$ 1,119.63	\$ 5,596.81	
2013	\$ 80.58	\$ 120.87	\$ 135.51	\$ 295.41	\$ 482.43	\$ 1,106.05	\$ 5,528.90	
2014	\$ 79.96	\$ 119.94	\$ 134.48	\$ 293.15	\$ 478.73	\$ 1,097.57	\$ 5,486.53	
2015	\$ 77.38	\$ 116.06	\$ 130.13	\$ 283.67	\$ 463.24	\$ 1,062.06	\$ 5,309.04	
2016	\$ 81.06	\$ 121.59	\$ 136.32	\$ 297.16	\$ 485.28	\$ 1,112.59	\$ 5,561.63	

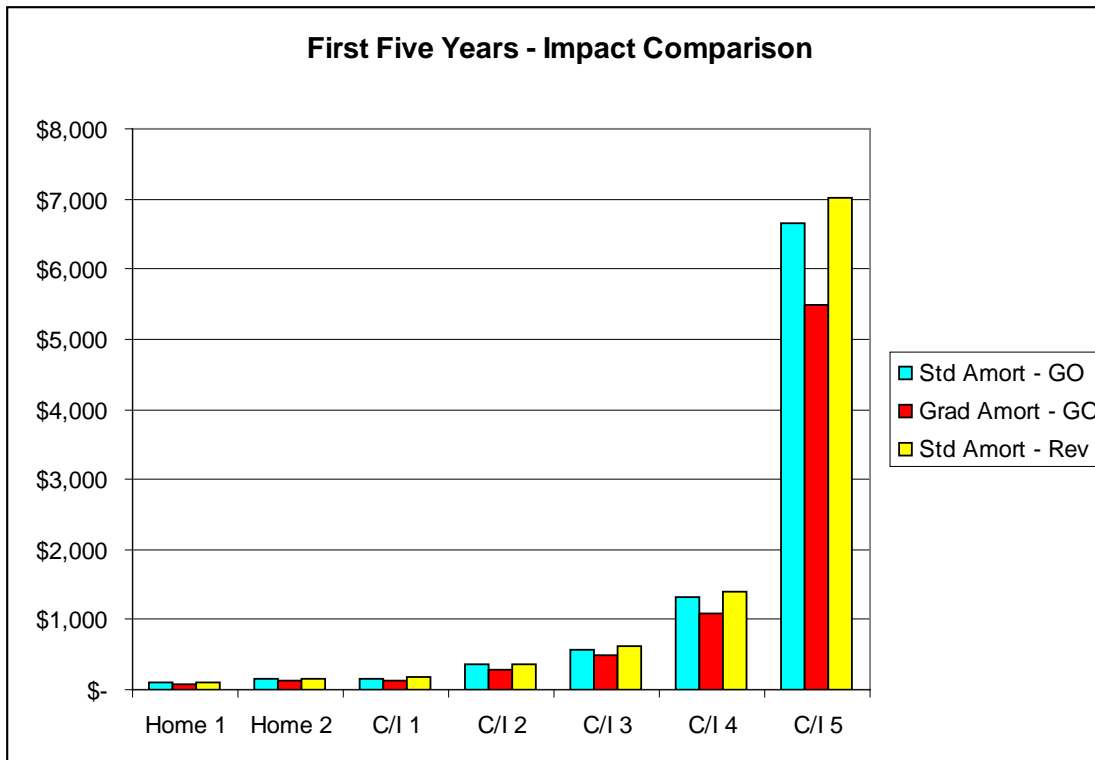
When considering a graduated amortization schedule, compare the total interest expense on the bond issue to that of a standard amortization. In this case, Scenario #2 results in the payment of an additional \$1,935,262 in interest expense. Contrast that to the difference in annual payments on the different properties. With the graduated scenario – the \$230,000 homeowner will pay about \$20 less each year for the first five years; the \$7,928,100 commercial property owner will pay around \$1,000 less each year for the first five years. **Does the reduced tax impact on the property owner in the early years of the bond issue repayment outweigh the additional interest expense over the life of the bonds?**

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Tax Impact of one bond issue – Scenario #3: *Revenue bonds – standard even payments over 20 years at a 4.75% interest rate:*
Bond issue size: \$9,060,000 and includes cost of issuance / total interest expense is \$5,328,431. The bond issue amount is higher due not only to higher issuance costs, but must also include an amount for the debt service reserve.

		Impact - Property Owner:						
		Hstd Res	Hstd Res	#1 C/I	#2 C/I	#3 C/I	#4 C/I	#5 C/I
		230,000	345,000	230,900	459,100	726,000	1,616,000	7,928,100
		2,300	3,450	3,868	8,432	13,770	31,570	157,812
2012	\$	103.71	\$ 155.56	\$ 174.41	\$ 380.20	\$ 620.90	\$ 1,423.51	\$ 7,115.82
2013	\$	102.12	\$ 153.18	\$ 171.74	\$ 374.39	\$ 611.40	\$ 1,401.73	\$ 7,006.94
2014	\$	100.53	\$ 150.80	\$ 169.07	\$ 368.57	\$ 601.90	\$ 1,379.95	\$ 6,898.08
2015	\$	96.96	\$ 145.43	\$ 163.05	\$ 355.45	\$ 580.47	\$ 1,330.82	\$ 6,652.48
2016	\$	108.53	\$ 162.80	\$ 182.52	\$ 397.89	\$ 649.78	\$ 1,489.72	\$ 7,446.83

Comparing the tax impact for all three scenarios, side-by-side:



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