

Example Cost of Financing

The question was posed how a \$1 million dollar project or a \$5 million dollar project will affect the village taxpayer/tax rate. The first assumption would be that the project would be financed through borrowing as the Village does not have that amount of funds on hand to support project (except perhaps for a sewer project)

An example would be the 2019 HVAC project which was \$1,000,000. The Village used the State Trust Fund Loan program and borrowed \$1,000,000. The borrowing was for a 10 year period at an interest rate of 4.5%. Repayment of this debt obligation required \$126,400 annually. This amount added to our tax levy would amount to \$0.11 per thousand in assessed value. On the average home valued at \$514,500 this would mean a tax cost of \$56.60 annually.

The cost is dependent on the borrowing terms both interest rate and length of repayment. In late 2019 we issued general obligation bonds in the amount of \$2.425 million. The repayment term was 20 years and the interest rate ranged from 1.34%-2.85%. This borrowing supported building the splash pad, additional funding needed for Watertown Plank Road pathway and the refunding of the HVAC State Trust Fund Loan to take advantage of the better interest rate and extended repayment term. This borrowing of 2.425 million required annual debt payments of approximately \$155,000. This amount added to our tax levy would require a \$0.13 increase per thousand of assessed value. On the average home value this would mean a tax cost of \$66.89 annually.

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¹ 1/1/21 assessed value without TID2= \$1,214,120,465
1/1/21 Average home value per assessor \$514,500