

Cotuit Fire District
Fire Station Renovation Financing
Evaluation of Alternative Amounts to put in a Bond vs a BAN

	Budget		Alternative A		Alternative B	
			BOND vs BAN	FY28 Interest	BOND vs BAN	FY28 Interest
Spent to date	8,867,157	8,867,157				
Oct estimate	599,900					
Nov estimate	1,625,190					
26-Dec	1,833,009	4,058,099	12,925,256	646,263		
Jan-27	1,146,538					
Feb 27 estimate	1,056,986					
Mar 27 estimate	1,481,374	3,684,898				
Apr 27 estimate	546,239				17,156,393	857,820
May 27 estimate	619,800					
Jun 27 estimate	308,407	1,474,446	5,159,344	206,374	928,207	37,128
Total Spend	18,084,600	18,084,600	18,084,600	852,637	18,084,600	894,948
BAN Differential						4,231,137
LT Vs ST rate differential						1.0%
Savings in FY28						<u>42,311</u>

The financial cost/benefit of a larger or smaller BOND equals the rate differential times the amount of the BAN differential. The current differential in long term(LT) vs short term (ST) rates is 1% (5% LT, \$4% ST) Thus given that ST rates are 1% lower than LT rates, the larger the BAN, the higher the savings . However, there are risks in deferring amounts to be Bonded now versus later. Any savings could be reduced by increased LT. Current LT municipal bond rates are the highest in 20 years. A 5 percent increase in LT rates could eliminate the savings. I would rate risk of an increase as moderate. Finally, I would put the chane of rates decling as low

It could be argued that deferring \$4.2 MM for one year increases the amount of LT amortization. That is correct, We will amortize the net BAN amount over a 1 year shorter amortization period. This would increase debt service by approximately \$750 per year for 28 years but the present value of that cost is negilible in PV terms PV is present value, receiving a dollar today is worth more than one years in the future. PV is that measure.

Net BAN amout	Amortized 29	Amortized 28	Difference	1 year LT Interest	PV of 28Yrs Prin & Interest
4,231,137	145,901	151,112	(5,211)	(261)	(2,631)

From a pure financial perspecive, hedging the amount of interest to be committed is desireable. But from a political perspective it may be more valuable to be in a position at the ADM, to say the Fire Station financing and, therefore the final cost is 95+% fixed.