

Analysis of Fire Engine Funding Options

Mr. Bourne of The Budget Committee presented a comparison of funding options for the fire engine purchase at the 1/13/25 BOS meeting. The analysis, however, only considered the \$289,000 as a credit towards a cash/finance component.

This revised analysis provides a more accurate "apples-to-apples" comparison based on current interest rates, demonstrating significant potential savings with one approach:

*Scenario 1: Full Bond Financing

- **Bond Amount:** \$789,000
- **Term:** 10 years
- **Interest Rate:** 3.19%
- **Monthly Payment:** \$7,688.00
- **Total Interest Paid:** \$133,564.00
- **Total Payments:** \$922,564.00

Scenario 2: Cash Deposit & Tax-Exempt Lease

- **Cash Deposit:** \$289,000.00
- **Lease Amount:** \$500,000.00
- **Term:** 10 years
- **Interest Rate:** 5.70%
- **Monthly Payment:** \$5,476.00
- **Total Interest Paid:** \$157,120.00
- **Total Lease Payments:** \$657,120.00
- **Total Cost:** \$946,120.00

*Scenario 1: Full Bond Financing with Investment Income

- **Bond Amount:** \$789,000
- **Term:** 10 years
- **Interest Rate:** 3.19%
- **Monthly Payment:** \$7,688.00
- **Total Interest Paid:** \$133,564.00
- **Total Payments:** \$922,564.00
- **Unused Funds:** \$289,000.00

- **10-Year Treasury Investment:** 4.68% (current rate)
- **Interest Earned:** \$167,599.00
- **Total Investment Value:** \$456,599.00
- **Effective Total Cost:** \$922,564.00 (Total Payments) - \$456,599.00 (Investment Value) = **\$465,965.00**

Key Findings:

- **Scenario 1 (Full Bond Financing with Investment Income)** demonstrates potential savings of **\$280,155** compared to Scenario 2 (Cash Deposit & Tax-Exempt Lease).
- Scenario 2 (Cash Deposit & Tax-Exempt Lease) results in significantly higher overall costs due to the higher interest rate on the lease.