

**MEMORANDUM**

TO: Members of the Finance Committee

FROM: Brendan T. O'Connell - Finance Director

CC: Jon P. Jennings - City Manager

DATE: September 28, 2018

SUBJECT: **Cost Analysis - \$7M Housing Trust Bond**

During the October 4, 2018 meeting of the City of Portland Finance Committee Mayor Strimling will be presenting a proposal for a \$7M bond authorization. The proposal includes appropriation of these funds to capitalize the City of Portland Housing Trust Fund. The Committee requested a cost analysis of the proposal be presented at the meeting.

Assuming these bond were issued in full with a 20 year term with level principal repayments at a 4.25% interest rate, the annual debt service in the first year of bond repayment would be approximately \$647,500. This additional debt service expense in the City budget would add approximately 8 cents to the mil rate (an increase of 0.4%). Debt service related to the bonds would be included in the City budget for 20 consecutive fiscal years. The impact would decrease slightly each fiscal year as the bonds were repaid (interest each year would be based on a lower outstanding principal amount) and debt service would slowly decrease down to an estimated \$364,875 by the final year of the bonds. Total estimated debt service on the \$7M of debt over the life of the bonds would total approximately \$10.1M.

A complete estimated debt service schedule is available on Page 2 of this document.

City of Portland, Maine
 2019 General Obligation Bonds (Federally Taxable)
 (Affordable Housing Project)
 Level Principal Payments

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
8/1/2019			148,750.00	148,750.00	
2/1/2020	350,000.00	4.2500%	148,750.00	498,750.00	647,500.00
8/1/2020			141,312.50	141,312.50	
2/1/2021	350,000.00	4.2500%	141,312.50	491,312.50	632,625.00
8/1/2021			133,875.00	133,875.00	
2/1/2022	350,000.00	4.2500%	133,875.00	483,875.00	617,750.00
8/1/2022			126,437.50	126,437.50	
2/1/2023	350,000.00	4.2500%	126,437.50	476,437.50	602,875.00
8/1/2023			119,000.00	119,000.00	
2/1/2024	350,000.00	4.2500%	119,000.00	469,000.00	588,000.00
8/1/2024			111,562.50	111,562.50	
2/1/2025	350,000.00	4.2500%	111,562.50	461,562.50	573,125.00
8/1/2025			104,125.00	104,125.00	
2/1/2026	350,000.00	4.2500%	104,125.00	454,125.00	558,250.00
8/1/2026			96,687.50	96,687.50	
2/1/2027	350,000.00	4.2500%	96,687.50	446,687.50	543,375.00
8/1/2027			89,250.00	89,250.00	
2/1/2028	350,000.00	4.2500%	89,250.00	439,250.00	528,500.00
8/1/2028			81,812.50	81,812.50	
2/1/2029	350,000.00	4.2500%	81,812.50	431,812.50	513,625.00
8/1/2029			74,375.00	74,375.00	
2/1/2030	350,000.00	4.2500%	74,375.00	424,375.00	498,750.00
8/1/2030			66,937.50	66,937.50	
2/1/2031	350,000.00	4.2500%	66,937.50	416,937.50	483,875.00
8/1/2031			59,500.00	59,500.00	
2/1/2032	350,000.00	4.2500%	59,500.00	409,500.00	469,000.00
8/1/2032			52,062.50	52,062.50	
2/1/2033	350,000.00	4.2500%	52,062.50	402,062.50	454,125.00
8/1/2033			44,625.00	44,625.00	
2/1/2034	350,000.00	4.2500%	44,625.00	394,625.00	439,250.00
8/1/2034			37,187.50	37,187.50	
2/1/2035	350,000.00	4.2500%	37,187.50	387,187.50	424,375.00
8/1/2035			29,750.00	29,750.00	
2/1/2036	350,000.00	4.2500%	29,750.00	379,750.00	409,500.00
8/1/2036			22,312.50	22,312.50	
2/1/2037	350,000.00	4.2500%	22,312.50	372,312.50	394,625.00
8/1/2037			14,875.00	14,875.00	
2/1/2038	350,000.00	4.2500%	14,875.00	364,875.00	379,750.00
8/1/2038			7,437.50	7,437.50	
2/1/2039	350,000.00	4.2500%	7,437.50	357,437.50	364,875.00
	<u>7,000,000.00</u>		<u>3,123,750.00</u>	<u>10,123,750.00</u>	<u>10,123,750.00</u>