

MEDFORD PARKS & RECREATION

HEALTHY LIVES. HAPPY PEOPLE. STRONG COMMUNITY.

Parks System Development Charges

Effective Jan. 1, 2017

Development Category	Southeast Plan Area	Outside of Southeast Plan Area
Single Family dwelling unit	\$3,679	\$3,210
Multi-Family dwelling unit	\$3,111	\$2,714
Mobile Home	\$4,120	\$3,595
Accessory Dwelling (Per Unit)	\$2,122	\$1,851
Assisted Living dwelling unit	\$3,111	\$2,714
Employee (Per Employee)	\$235	\$205

The Southeast Area map is available on the City of Medford web page:

http://www.ci.medford.or.us/SIB/files/SE%20Plan%20Map_030713.pdf



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City of Medford, Oregon



Final Report for
PARKS SYSTEM
DEVELOPMENT CHARGE
UPDATE

September, 2016

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SECTION 1: INTRODUCTION

This section describes the project scope and policy context upon which the body of this report is based.

PROJECT

The City of Medford (“City”) last updated its parks system development charge (SDC) methodology in 2009.¹ The City’s parks SDCs were last adjusted in 2010, as shown below:

Continuous Improvement
Customer Service



MEDFORD PARKS AND RECREATION DEPARTMENT
SYSTEM DEVELOPMENT CHARGES

As of May 1, 2010 the following rates will be in place.

Single Family Dwelling Unit:	\$3,433.00
Multi-Family Dwelling Unit: (one or more attached units)	\$2,533.00 (rate times # of units)
Mobile Home Park	\$2,273.00 (rate times # of units)
Accessory Dwelling Unit (unit added to existing single family unit)	\$1,716.00
Assisted Living	\$2,533.00
Employee Cost – Commercial	\$85.00 (rate times # of employees)

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¹ Don Ganer & Associates, “Parks and Recreation System Development Charges Methodology Update,” January 27, 2009.

In September, 2015, the City engaged Conservation Technix to update the City's Leisure Services Plan. As part of that effort, the City engaged FCS GROUP to update the City's parks SDC methodology and develop a funding plan for the updated Leisure Services Plan.

We approached this project as a series of three steps:

- **Framework for Charges.** In this step, we worked with City staff to identify and agree on the approach to be used and the components to be included in the analysis. As part of this step, we met with the City Council by telephone on January 14, 2016.
- **Technical Analysis.** In this step, we worked with City staff to isolate the recoverable portion of facility costs and calculate draft SDC rates. As part of this step, we met with City Council on May 26, 2016, to communicate initial analytic results. We then met with City staff on July 29, 2016, to refine the analysis.
- **Draft Methodology Report Preparation.** In this step, we documented the calculation of the draft SDC rates included in this report.

POLICY

SDCs are enabled by state statute and authorized by local ordinance.

State Statutes

Oregon Revised Statutes ("ORS") 223.297 to 223.314 enable local governments to establish SDCs, which are one-time fees on new development that are paid at the time of development. SDCs are intended to recover a fair share of the cost of existing and planned facilities that provide capacity to serve future growth.

ORS 223.299 defines two types of SDC:

- A reimbursement fee that is designed to recover "costs associated with capital improvements already constructed, or under construction when the fee is established, for which the local government determines that capacity exists"
- An improvement fee that is designed to recover "costs associated with capital improvements to be constructed"

ORS 223.304(1) states, in part, that a reimbursement fee must be based on "the value of unused capacity available to future system users or the cost of existing facilities" and must account for prior contributions by existing users and any gifted or grant-funded facilities. The calculation must "promote the objective of future system users contributing no more than an equitable share to the cost of existing facilities." A reimbursement fee may be spent on any capital improvement related to the system for which it is being charged (whether cash-financed or debt-financed).

ORS 223.304(2) states, in part, that an improvement fee must be calculated to include only the cost of projected capital improvements needed to increase system capacity for future users. In other words, the cost of planned projects that correct existing deficiencies or that do not otherwise increase capacity for future users may not be included in the improvement fee calculation. An improvement fee may be spent only on capital improvements (or portions thereof) that increase the capacity of the system for which it is being charged (whether cash-financed or debt-financed).

Local Ordinance

Medford Municipal Code ("MMC") 3.870 to 3.883 authorizes the imposition of parks SDCs in Medford. The provisions of these sections are within the limits specified by statute. However, we

have identified some opportunities to improve these sections of code. We describe these opportunities in detail in Section 3.

SECTION 2: ANALYSIS

This section provides our detailed calculations of the maximum defensible parks SDC.

In general, SDCs are calculated by adding a reimbursement fee component (if applicable) and an improvement fee component—both with potential adjustments. Each component is calculated by dividing the eligible cost by growth in units of demand. The unit of demand becomes the basis of the charge.

GROWTH

The City’s park system serves both the residents and employees of Medford. We therefore define growth for the parks SDC as a combination of growth in total population and growth in employment during the planning period.

Current Demand

The calculation of growth begins with the most recent counts for population and employment in Medford. As shown in Table 2.1, 77,655 residents live in Medford, and 43,437 employees work in Medford. Of these, 15,514 people both live and work in Medford.

	Living inside Medford	Living outside Medford	Total
Working inside Medford	15,514	27,923	43,437
Working outside Medford	12,502		
Not working	49,639		
Total	77,655		

Source: 2016-2025 Medford Leisure Services Plan, page 11 (total living inside Medford); U. S. Census Bureau, OnTheMap Application, accessed from <http://onthemap.ces.census.gov/> on May 5, 2016.

Next, we calculate the relative demand of residents and employees. To do that, we estimate the number of hours of potential park use for each of the two groups, as shown in Tables 2.2 and 2.3.

	Living inside Medford	Living outside Medford
Working inside Medford	72	
Working outside Medford	72	
Not working	112	

Source: FCS GROUP.

	Living inside Medford	Living outside Medford
Working inside Medford	15	15
Working outside Medford		
Not working		

Source: FCS GROUP and City staff.

When the hours per week of potential park demand are multiplied by the counts from Table 2.1, we are able to determine the relative demand of residents and employees. As shown in Table 2.4, one employee is equivalent to 0.15 resident.

	Residential Hours	Non-Residential Hours	Total Hours
Working inside Medford	1,117,008	651,555	1,768,563
Working outside Medford	900,144		900,144
Not working	5,559,568		5,559,568
Total	7,576,720	651,555	8,228,275
Hours per resident	98		
Hours per employee		15	
Residents per employee			0.15

Source: Previous tables.

Future Demand

Based on the growth assumptions in the “2016-2025 Medford Leisure Services Plan,” we calculate the growth in residents and employees over the 10-year planning period. Because each employee is equivalent to 0.15 residents, we can combine these growth calculations into the single category of residential equivalents, as shown in Table 2.5.

	2015	2016	2026	Growth from 2016 to 2026
Population	77,655	80,220	111,025	30,805
Employees	43,437	44,872	62,103	17,231
Residential equivalents	84,333	87,119	120,573	33,454

Source: 2016-2025 Medford Leisure Services Plan, page 10 (population in 2026); previous tables. **Note:** The implied annual growth rate for population from 2015 (77,655 residents) to 2026 (111,025 residents) is 3.30 percent. We used this growth rate to interpolate population and employees for 2016.

The City has expressed a desire to calculate not only parks SDCs that can be charged uniformly throughout the city, but also parks SDCs that vary by geography. Specifically, the City has requested calculations for two areas: (1) the southeast area of the city and (2) the rest of the city. Based on data provided by the City, we allocate growth as shown in Table 2.6.

	2016	2026	Growth from 2016 to 2026	Portion of Growth
Southeast area				
Population	1,064	13,910	12,846	41.70%
Employees	30	392	362	2.10%
Residential equivalents	1,069	13,970	12,902	38.57%
Rest of city				
Population	79,156	97,115	17,959	58.30%
Employees	44,842	61,711	16,869	97.90%
Residential equivalents	86,050	106,602	20,552	61.43%

Source: E-mail from Chris C. Olivier, 05/16/2016 (2016 population and employees in southeast area); e-mail from John K. Adam, 05/16/2016 (2026 population in Southeast area).

LEVEL OF SERVICE AND ELIGIBILITY

Determining what portion of which costs can be legally recovered in an SDC begins with determining the level of service (LoS) that is currently being achieved for each type of facility (i.e., category of park). That LoS can then be compared with the City’s standards to determine if a deficiency or surplus exists. Table 2.7 presents both the current level of service and the City standard for each type of facility. In the case of special use areas, which do not have an adopted standard, we considered the current LoS to be the standard.

Unit of measurement	Neighborhood Parks	Community Parks	Natural Areas	Paved Paths	Unpaved Trails	Special Use Areas
	acre	acre	acre	mile	mile	acre
Inventory						
Land	127.08	247.95	1,977.59	38.14	11.44	59.28
Developed facilities	93.81	226.54		38.14	11.44	39.28
Current level of service per 1,000 residents						
Land	1.64	3.19	25.47	0.49	0.15	0.76
Developed facilities	1.21	2.92		0.49	0.15	0.51
Standard level of service, existing						
Land per 1,000 residents	1.56	2.75	20.00	0.27	0.19	0.76
Developed facilities per 1,000 residents	1.56	2.75		0.27	0.19	0.51

Source: 2016-2025 Medford Leisure Services Plan.

Deficiencies

The City’s inventory of park facilities is deficient in two categories:

- Developed neighborhood parks (achieved LoS of 1.21 acres per 1,000 residents, which is below the standard of 1.56 acres per 1,000 residents)
- Unpaved trails (achieved LoS of 0.15 mile per 1,000 residents, which is below the standard of 0.19 mile per 1,000 residents)

As a result of these deficiencies, planned projects in these categories will not be 100 percent eligible for SDC funding.

Surpluses

The City’s inventory of park facilities exceeds its standards in several categories:

- Neighborhood park land (achieved LoS of 1.64 acres per 1,000 residents, which is above the standard of 1.56 acres per 1,000 residents)
- Community parks (Achieved LoS for both land and developed facilities is above standard.)
- Natural areas (achieved LoS of 25.47 acres per 1,000 residents, which is above the standard of 20.00 acres per 1,000 residents)
- Paved paths (achieved LoS of 0.49 mile per 1,000 residents, which is above the standard of 0.27 mile per 1,000 residents)

These surpluses create a potential opportunity for a reimbursement fee.

Table 2.8 summarizes the impacts of deficiencies and surpluses on SDC eligibility:

Unit of measurement	Neighborhood Parks	Community Parks	Natural Areas	Paved Paths	Unpaved Trails	Special Use Areas
	acre	acre	acre	mile	mile	acre
Standard level of service, existing						
Required inventory in 2016						
Land per 1,000 residents	121.14	213.55	1,553.10	20.97	14.75	59.28
Developed facilities per 1,000 residents	121.14	213.55	0.00	20.97	14.75	39.28
Required inventory in 2026						
Land per 1,000 residents	173.20	305.32	2,220.50	29.98	21.09	84.75
Developed facilities per 1,000 residents	173.20	305.32	0.00	29.98	21.09	56.16
Improvement fee eligibility						
Land	100.00%	100.00%	100.00%	100.00%	65.69%	100.00%
Developed facilities	65.57%	100.00%		100.00%	65.69%	100.00%
Reimbursement fee eligibility						
Land	5.94	34.40	424.49	17.17	0.00	0.00
Developed facilities	0.00	12.99	0.00	17.17	0.00	0.00

Source: 2016-2025 Medford Leisure Services Plan.

REIMBURSEMENT FEE

The reimbursement fee is the cost of available capacity per unit of growth that such available capacity will serve. In order for a reimbursement fee to be calculated, unused capacity in the existing

park system must be available to serve future growth. For facility types that do not have excess capacity, no reimbursement fee may be charged.

Although Table 2.8 shows that several acres and miles of park facilities are eligible for reimbursement, we have not calculated a reimbursement fee for two reasons. First, the City was able to produce historical cost data for only a fraction of the eligible types of facilities. Second, the City has \$29 million in remaining debt service for outstanding parks-related debt. The outstanding principal from this debt would have to be deducted from a reimbursement fee cost basis. Because of the limited cost data and the prospect of a large deduction for outstanding debt, we agreed with City staff that a reimbursement fee was not worth pursuing further.

IMPROVEMENT FEE

The improvement fee is the cost of capacity-increasing capital projects per unit of growth that those projects will serve. The unit of growth becomes the basis of the fee. In reality, the capacity added by many projects serves a dual purpose of both meeting existing demand and serving future growth. To compute a compliant SDC rate, growth-related costs must be isolated, and costs related to current demand must be excluded.

We have used the capacity approach to allocate costs to the improvement fee basis.¹ Under this approach, the cost of a given project is allocated to growth by the portion of total project capacity that represents capacity for future users. That portion, sometimes known as the improvement fee eligibility percentage, is multiplied by the total project cost to determine that project's improvement fee cost basis.

Calculation of the improvement fee begins with the estimated costs of the City's list of growth-related parks projects. For each project, we then apply the improvement fee eligibility percentage shown for that project's category in Table 2.8. This percentage represents the proportion of each project that will serve growth in Medford. For the southeast area of Medford, the total eligible cost is \$19.7 million, as shown in Table 2.9.

¹ Two alternatives to the capacity approach are the incremental approach and the causation approach. The incremental approach is computationally complicated, because it requires the computation of hypothetical project costs to serve existing users. Only the incremental cost of the actual project is included in the improvement fee cost basis. The causation approach, which allocates 100 percent of all growth-related projects to growth, is vulnerable to legal challenge.

Table 2.9: Planned Projects, Southeast Area						
Eligibility Category	First Fiscal Year	Cost	Improvement Fee Eligibility	Eligible Cost		
Trail segment 1 (class G3)		\$ 476,736	65.69%	\$ 313,152		
Trail segment 2 (class G3)		623,168	65.69%	409,339		
Trail segment 3 (class G4)		313,664	65.69%	206,036		
Trail segment 4 (class G2)		460,928	65.69%	302,769		
Trail segment 5 (class G4)		217,910	65.69%	143,138		
Trail segment 5 (class G4)		235,456	65.69%	154,663		
Trail segment 6 (class G1)		809,536	65.69%	531,758		
Trail segment 7 (class)		38,500	65.69%	25,289		
Trail segment 7 (class)		6,000	65.69%	3,941		
Trail segment 8 (class)		88,550	65.69%	58,166		
Trail segment 8 (class)		13,800	65.69%	9,065		
Trail segment 9 (class G1)		987,584	65.69%	648,712		
SE Area Plan Park Development		-	65.57%	-		
SE Area Plan - Larson Creek Corridor	2022	1,390,000	100.00%	1,390,000		
SE Area Plan - Tributary to Medford Canal	2023	1,570,000	100.00%	1,570,000		
Neighborhood Park - SE Medford	2019	1,020,000	100.00%	1,020,000		
Community Park - SE Medford	2019	4,875,000	100.00%	4,875,000		
Neighborhood Park - SE Medford	2022	1,074,647	100.00%	1,074,647		
Neighborhood Park - SE Medford	2025	750,000	100.00%	750,000		
Multi-Use Recreation & Aquatic Center	2019	6,176,573	100.00%	6,176,573		
Total		\$ 21,128,052		\$ 19,662,248		

Source: 2016-2025 Medford Leisure Services Plan, Capital Facilities Plan.

For the rest of Medford, the total eligible cost is \$27.4 million, as shown in Table 2.10.

Table 2.10: Planned Projects, Rest of City						
Eligibility Category	First Fiscal Year	Cost	Improvement Fee Eligibility	Eligible Cost		
Donahue-Frohnmyer Park Expansion & Upgrades	2022	\$ 2,100,000	65.57%	\$ 1,377,026		
Oregon Hills Park, Phase II	2019	310,000	65.57%	203,275		
Chrissy Park Development	2018	3,790,000	65.57%	2,485,204		
Cedar Links Park Development	2019	1,400,000	65.57%	918,017		
Howard School Park	2022	1,844,000	65.57%	1,209,160		
Midway Park Development	2020	1,100,000	65.57%	721,299		
Lone Pine Park Development	2024	200,000	65.57%	131,145		
Prescott Park Trail Development	2020	1,750,000	65.69%	1,149,518		
Neighborhood Park - N Medford	2018	1,625,000	100.00%	1,625,000		
Community Park - W Medford	2020	2,320,000	100.00%	2,320,000		
Neighborhood Park - E Medford	2021	741,935	100.00%	741,935		
Neighborhood Park - SW Medford	2023	1,350,000	100.00%	1,350,000		
Neighborhood Park - SW Medford	2024	1,350,000	100.00%	1,350,000		
Multi-Use Recreation & Aquatic Center	2019	11,823,427	100.00%	11,823,427		
Total		\$ 31,704,363		\$ 27,405,009		

Source: 2016-2025 Medford Leisure Services Plan, Capital Facilities Plan.

The Multi-Use Recreation & Aquatic Center is a single project with citywide benefit. We therefore allocated its cost (\$18 million in total) to the two areas according to the proportion of expected growth in residential equivalents.

Table 2.11 summarizes the eligible and ineligible project costs in the entire city.

Table 2.11: Planned Projects, Summary of Total Costs	Southeast		
	Area	Rest of City	Total
Eligible costs	\$ 19,662,248	\$ 27,405,009	\$ 47,067,257
Ineligible costs	1,465,804	4,299,353	5,765,157
Total project costs	\$ 21,128,052	\$ 31,704,363	\$ 52,832,414

Source: Previous tables.

ADJUSTMENTS

Two cost basis adjustments are potentially applicable to both reimbursement and improvement fees: fund balance and compliance costs.

Fund Balance

To the extent that SDC revenue is currently available in a fund balance, that revenue should be deducted from its corresponding cost basis. Because we are calculating only an improvement fee, we have made only one adjustment for the City’s SDC fund balance of \$1 million. For area-specific calculations, we allocated the fund balance according to each area’s proportion of growth in residential equivalents. This is the same method we used for allocating the cost of the Multi-Use Recreation & Aquatic Center.

Compliance Costs

ORS 223.307(5) authorizes the expenditure of SDCs on “the costs of complying with the provisions of ORS 223.297 to 223.314, including the costs of developing system development charge methodologies and providing an annual accounting of system development charge expenditures.” To avoid spending monies for compliance that might otherwise have been spent on growth-related projects, this report includes an estimate of compliance costs in its SDCs.

In a manner consistent with the previous SDC methodology, we have estimated compliance costs of 2.135 percent of the improvement fee cost basis (whether the cost basis is uniform or area-specific).

CALCULATED SDCS

Having determined eligible costs and adjustments, we then divide by growth in residential equivalents to determine the improvement fee per residential equivalent. Table 2.12 shows this calculation for both a uniform SDC that would be charged citywide and area-specific SDCs.

Table 2.12: SDC per Residential Equivalent	Area Specific, Southeast Area Specific, Rest of City		
	Uniform	Area	Rest of City
Reimbursement fee cost basis	\$ -	\$ -	\$ -
Improvement fee cost basis	47,067,257	19,662,248	27,405,009
Compliance costs	1,004,886	419,789	585,097
Less fund balance	(1,000,000)	(385,655)	(614,345)
Total cost basis	\$ 47,072,143	\$ 19,696,382	\$ 27,375,761
Growth in residential equivalents	33,454	12,902	20,552
SDC per residential equivalent	\$ 1,407	\$ 1,527	\$ 1,332

Source: Previous tables and previous SDC methodology (compliance costs as a function of improvement fee cost basis).

The final analytic step is to convert the SDCs per residential equivalent into the categories of land use that appear in the City’s fee schedule. Table 2.13 shows the resulting proposed fee schedule.

Table 2.13: Proposed SDC Schedule	Residential		Area Specific, Southeast Area		Area Specific, Rest of City
	Equivalents	Uniform			
Single-family dwelling unit	2.41	\$ 3,391	\$	3,679	\$ 3,210
Multi-family dwelling unit	2.04	2,867		3,111	2,714
Mobile home park unit	2.70	3,797		4,120	3,595
Accessory dwelling unit	1.39	1,956		2,122	1,851
Assisted living dwelling unit	2.04	2,867		3,111	2,714
Employee	0.15	216		235	205

Source: U. S. Census Bureau, 2014 American Community Survey 1-Year Estimates, tables B25024 and B25033; Jordan Palmeri, *Accessory Dwelling Units in Portland, Oregon*, 06/01/2014; previous tables.

SECTION 3: IMPLEMENTATION

This section addresses two aspects of implementing an SDC. The first is a set of recommended code changes. The second is a method of accounting for inflation between SDC updates.

CODE CHANGES

We recommend that the city enact the following changes to the MMC concurrently with the adoption of this SDC methodology.

References to a Specific Methodology

We recommend the removal of references to a specific methodology in MMC 3.870(3) and 3.871(14). We further recommend the addition of language authorizing the City Council to adopt methodologies by resolution.

Time Limit on Expenditures

We recommend the repeal of MMC 3.881. A time limit for spending SDC revenues is not required by statute, and we find that such a limit reduces the City's flexibility.

ANNUAL INDEXING

ORS 223.304 allows for the periodic indexing of system development charges for inflation, as long as the index used is:

- (A) A relevant measurement of the average change in prices or costs over an identified time period for materials, labor, real property or a combination of the three;
- (B) Published by a recognized organization or agency that produces the index or data source for reasons that are independent of the system development charge methodology; and
- (C) Incorporated as part of the established methodology or identified and adopted in a separate ordinance, resolution or order.

We have reviewed the indexing practice described in MMC 3.872, and we find that it meets the requirements of statute. We recommend that the City implement this practice.

SECTION 4: FUNDING PLAN

This section addresses the funding of parks projects (or portions of projects) that either are ineligible for SDC funding or for which SDC revenues are not available.

AVAILABLE REVENUES

The City has multiple streams of revenue that are available either for parks projects or for debt service related to parks projects. These revenue streams include the transient lodging tax, the car rental tax, and the parks utility fee. Debt service for outstanding parks-related debt is paid from these revenues, but the debt service consumes only a portion of the total revenues. Table 4.1 shows projected revenues from these sources in excess of payments on existing debt:

Table 4.1: Incremental Cash Flow	Net Revenue Available for Parks
FY 2015-16	\$ 526,455
FY 2016-17	541,594
FY 2017-18	584,844
FY 2018-19	630,369
FY 2019-20	664,489
FY 2020-21	693,452
FY 2021-22	734,244
FY 2022-23	1,199,869
FY 2023-24	1,234,594
FY 2024-25	1,265,069
FY 2025-26	1,290,494
FY 2026-27	1,406,869
FY 2027-28	2,967,250
FY 2028-29	3,092,375
FY 2029-30	3,210,425
FY 2030-31	3,283,325
FY 2031-32	3,354,087
FY 2032-33	3,415,750
FY 2033-34	3,478,375
FY 2034-35	4,025,000
Total	\$37,598,929

Source: "20-Year Projections and Debt Service Schedule" provided by City staff.

BORROWING POWER

To determine the maximum purchasing power of this net revenue in the short term, we calculated a hypothetical amortization schedule for a bond issue whose debt service schedule exactly matched the projected net revenue. Table 4.2 shows the hypothetical amortization:

Table 4.2: Hypothetical Amortization	Beginning Principal	Interest Payment	Principal Payment	Total Payment	Ending Principal
Interest rate		3.50%			
Year 1	\$ 23,478,035	\$ 821,731	\$ (295,276)	\$ 526,455	\$ 23,773,311
Year 2	23,773,311	832,066	(290,472)	541,594	24,063,783
Year 3	24,063,783	842,232	(257,388)	584,844	24,321,171
Year 4	24,321,171	851,241	(220,872)	630,369	24,542,043
Year 5	24,542,043	858,972	(194,483)	664,489	24,736,525
Year 6	24,736,525	865,778	(172,326)	693,452	24,908,852
Year 7	24,908,852	871,810	(137,566)	734,244	25,046,418
Year 8	25,046,418	876,625	323,244	1,199,869	24,723,173
Year 9	24,723,173	865,311	369,283	1,234,594	24,353,890
Year 10	24,353,890	852,386	412,683	1,265,069	23,941,208
Year 11	23,941,208	837,942	452,552	1,290,494	23,488,656
Year 12	23,488,656	822,103	584,766	1,406,869	22,903,890
Year 13	22,903,890	801,636	2,165,614	2,967,250	20,738,276
Year 14	20,738,276	725,840	2,366,535	3,092,375	18,371,741
Year 15	18,371,741	643,011	2,567,414	3,210,425	15,804,326
Year 16	15,804,326	553,151	2,730,174	3,283,325	13,074,153
Year 17	13,074,153	457,595	2,896,492	3,354,087	10,177,661
Year 18	10,177,661	356,218	3,059,532	3,415,750	7,118,129
Year 19	7,118,129	249,135	3,229,240	3,478,375	3,888,889
Year 20	3,888,889	136,111	3,888,889	4,025,000	0
Total		<u>\$ 14,120,894</u>	<u>\$ 23,478,035</u>	<u>\$ 37,598,929</u>	

Source: FCS Group.

Assuming an interest rate of 3.50 percent, the project stream of revenues represents the ability to borrow \$23.5 million with a 20-year maturity. The SDC-ineligible cost of projects listed in this methodology is only \$5.8 million (from Table 2.11).

This analysis, however, should be taken with a grain of salt. Because the amount of revenue available for debt service rises each year during the repayment period, the debt is negatively amortized during the first seven years. If the amount borrowed is reduced to \$15.0 million, negative amortization is eliminated.