

**CITY OF EVANSVILLE  
MEMORANDUM**

September 9, 2008

To: Common Council  
From: Dan Wietecha, City Administrator

*DBJ*

**Re: Potential Tax Impact on Dredging Project for Lake Leota**

The current estimate for dredging Lake Leota is \$2 million. If the project is approved by the city council after the November referendum, the project would be financed by issue of general obligation bonds.

**Impact on property tax rates:** The current cost estimate is \$2 million to dredge Lake Leota and place the spoils on neighboring property. Based on a \$2 million general obligation bond issue, with equal payments over the life of the bond, an interest rate of 6.0%, and an equalized value of \$347,363,700, the following are estimates of the tax impact:

	<b>10 year bond</b>	<b>15 year bond</b>	<b>20 year bond</b>
<b>Total principal and interest</b>	\$2,717,360	\$3,088,890	\$3,487,380
<b>Equalized tax rate</b>	0.782281	0.592825	0.501978
<b>Tax on \$100,000 residence</b>	\$78.23	\$59.28	\$50.20

The actual tax impact will depend on a number of variables including the costs of bond issue, interest rate, timing and structure of bond payments.

**Impact on debt capacity:** There is a statutory limit on general obligation debt capacity of 5% of equalized value of all property in the city. Further, the city's financial advisor has recommended the city not exceed 60% of the debt capacity in order to maintain a degree of financial security. Based on \$347,363,700 in equalized value, the city has a 5% statutory limit of \$17,368,185 in general obligation debt. The 60% cap is \$10,420,911, and the city has approximately \$7,854,000 in existing general obligation debt, leaving the city \$2,566,911 available for new general obligation. A \$2 million bond issue for the lake dredging project would leave some \$567,000 available debt capacity.