

Analysis of R & L Carriers, Inc. Return on Investment

The company's estimated capital investment for facility construction is approximately \$25.5 million.

Assumptions

1) Tax Rate and Cost of Capital

- a) Use current fiscal year 2021-2022 tax rate of \$0.0066177
- b) Tax rate remains constant throughout the analysis
- c) Present value cost of capital is three percent (3%) and remains constant throughout the analysis

2) Construction Capital Investment

- a) Assumes taxable value of 85% cost of construction
- b) Annual \$25,000 tax exemption
- c) Tax collection rate of 95% based on early tax payment discount
- d) No annual change in property values.

3) Electric Utility Usage

- a) OEU Profit (Loss) based solely on wholesale power costs vs. revenue. OEU operational costs not considered
- b) Wholesale power costs based on a 12-month average, as of April 2022
- c) Wholesale power cost held constant over entire 5, 10, 15, 20, 25, and 30-year periods
- d) Calculations are based on estimated annual usage of 720,000 KWH/month and 900 KVA/month.

FISCAL IMPACT:

The estimated payback period on the City's proposed \$300,000 investment is approximately 1.23 years. The estimated 5-year present value return in ad valorem tax revenue is \$770,917.47 and in general fund revenue generated from utility tax and electric revenue is \$923,930.83.