

Annual Principal Repayment Percentages for Determining Debt Servicing Costs

The changes brought about by regulation to the Community Charter (sec.174) and Bill 25 of the Hospital District Act will make it necessary for municipalities and regional hospital districts to calculate their annual debt servicing costs.

These calculations will be used both for liability certificate as well as yearly reporting requirements.

The following table will provide you with the annual percentage cost of principal as it relates to an amortization period or term. You should keep in mind that this table is representative of debt that is calculated using the sinking fund method (i.e. has an actuarial component).

**Amortization Term	Annual Principal Cost as %
5	18.0%
9	9.0%
10	8.0%
15	5.0%
17	4.0%
19	3.25%
20	3.0%
22	2.6%
25	2.0%
30	1.5%

To calculate your debt servicing costs (annual principal and interest) you will need three numbers.

- 1) Original Amount of the Borrowing (i.e. \$1,000,000)
- 2) Interest Relending Rate for the borrowing (i.e. 6%)
- 3) Term of borrowing (i.e. 15 years) 15 years = 5%

(Relending Rate + Principal Repayment %) X Original Borrowing

$$(6\% + 5\%) = 11\% \times \$1,000,000 = \$110,000.$$

The annual debt servicing costs for this loan is \$110,000

*** Only commonly used amortization terms are shown. Please contact the MFA for a complete listing.*