

Gazebo Example 1 (Capitalized Cost)

The township of South Pittsburgh, TN wants to build a gazebo in the city park. They are evaluating the two gazebos below. It costs the township 6% per year to issue municipal bonds, so they've chosen that interest rate as their MARR. All else being equal, which gazebo should they purchase?



Initial Cost = \$50,000
Salvage Value = \$5000
Annual O&M = \$1600
Service Life = 25 yrs



Initial Cost = \$90,000
Salvage Value = none
Annual O&M = \$200
Service Life = indefinite