



April 4, 2005

## **Golden Urban Renewal Authority**

### **Summary Refunding Analysis of 5.75% Wells Fargo Note**

**Prepayment Option:** \$1,349,552.90 with an interest rate of 5.75% is eligible for prepayment. The Note is currently payable through 2014.

**Today's Market:** GURA could refund the Note at an estimated 4.50% today, assuming the project is found to be eligible for tax-exempt financing by bond counsel. The estimated rate of 4.50% was provided by a bank lender which would have an interest in making the new loan or purchasing refunding bonds at this rate. With assumed issuance costs of \$25,000 for legal and advisory fees, plus \$17,900 for bank origination fees, the refinancing which would produce an estimated gross savings of \$36,197 through 2014 (an average of \$3,619 per year).

The savings are somewhat sensitive to changes in interest rates. If the refinancing were executed at 4.25% instead of 4.50%, the savings projection increases to \$57,052 (\$5,700 per year).

**Items for Consideration:** The existing Note was issued as a taxable loan, not tax-exempt. The project's eligibility for tax-exempt financing must be determined by a qualified bond counsel, whose opinion will be required by any tax-exempt investor. The eligibility for the tax-exemption generally turns on the amount of private v. public use of the facility. A taxable refinancing has been estimated by the same lender referenced above to require an interest rate of 6.00%, which destroys the economics of the proposal.

This analysis assumes a private placement with a single lender rather than a publicly-offered bond issue. A public offering would be likely to produce a lower interest rate, but the requirement to borrow additional funds for a debt service reserve, plus higher fees for legal, underwriting, and other services, are likely to make the public offering more expensive overall.