



## George K. Baum & Company

INVESTMENT BANKERS SINCE 1928

To: Mark Heller, Golden Urban Renewal Authority  
From: Alan Matlosz  
Date: July 19, 2005  
Re: Financing Plans

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George K. Baum & Company has prepared three financing plans for you to review. Under each scenario, the Authority is issuing revenue bonds secured by the legally available revenue of the Authority. For this analysis, I assumed that these pledged revenues equal gross revenues of the Authority minus money paid out through Owner Participation Agreements. It is important to note that even though all these revenues are pledged for bond payments, only a portion is actually used for that purpose. The remaining funds would be available to pay operating expenses and new project expenses. In 2004, the Authority had total revenue of \$986,000 and paid out \$122,000 through Owner Participation Agreements. The balance of \$864,000 is what would be available to make bond payments.

The bonds would have a final maturity in 2014. Investors require that the revenue pledged for repayment is equal to at least two times the annual payment. That “coverage” factor is shown for each scenario.

The attached pages include the “Sources and Uses of Funds” which show how all the money from the bond issue is allocated. Also included is a “Schedule of Proposed Bond Payments and Debt Service Coverage” for each option. This page shows the annual payments and the debt service coverage. For the first two options, the revenue available for Debt Service on the bonds is based on the 2004 actual figure of \$864,000. For the third option, this number starts at \$864,000 and increases 3% annually.

Plan 1 – The first plan refinances the Wells Fargo loan and the City of Golden loan. There are no additional funds generated for new projects. The estimated net annual bond payment under this scenario is about \$226,000. Based on 2004 revenues, debt service coverage from pledged revenues is about four times the annual payment.

Plan 2 – The second plan refinances the loans as in the first plan and provides the Authority with \$1,540,000 in new project funds. In this plan, I assumed that revenues remain at 2004 levels and that the Authority would have pledged revenues equal to two times the annual bond payment. The annual payment in this scenario is about \$416,000.

Plan 3 – The third plan refinances the loans as in the first plan and provides the Authority with \$2,100,000 in new project funds. In this plan, I assumed that revenues increase from the 2004 levels at a 3% annual rate and that the Authority would have pledged revenues equal to two times the annual bond payment. This appears to be a conservative assumption based on average annual growth in revenues over the past five years of 12%. The annual payment in this scenario starts at \$430,000 and increases to \$559,000 in 2014.

Interest rates remain at historically low levels. Based on current market conditions, the estimated interest rate on the proposed bond issue would be about 4.5%

I appreciate the opportunity to work with you and do not hesitate to call with any questions.