

March 9, 2006

**To:** LCOG Executive Committee

**From:** Bob Swank

**Subject:** Schaefers Building Refinance, Agenda Item 8

LCOG purchased the Schaefers Building in 1991 and refinanced it in 1993 with Lane County Revenue Bonds. The original bond debt was about 2.1 million dollars with a composite interest rate just over 7%. The remaining principal will be about 1.2 million in July, 2006, and the final payment would be in 2013. During the 12 years since the debt was incurred, the building's value has increased from slightly more than 2.1 million to slightly more than 4.0 million. So, LCOG has almost 3 million dollars in equity in the Schaefers Building.

There are several reasons that refinancing the debt on the Schaefers Building would be a good financial decision for LCOG. One reason, another public agency is likely to lease the third floor of the building. This would provide the opportunity to pursue tax free financing that should lower the interest rate on the debt. Another reason is that LCOG can only recover actual expenses from Senior and Disabled Services, so refinancing would bring occupancy expense for S&DS closer to market rent.

Perhaps the most compelling reason is to increase LCOG's General Fund. The General Fund is the only discretionary resource available to LCOG. It has been too small for several years, an increase of 1.5 to 2.0 million dollars would provide the agency needed flexibility to provide matching funds for grants and contracts, and an appropriate cash reserve for liquidity.

The purpose of this agenda topic is to discuss the refinancing concept with the Executive Committee.