

Deal Spotlight: Tax-Backed

City of Elizabeth, Colorado

\$4,055,000

Sales and Use Tax Revenue Bonds

Rating: AA (S&P)

UW: UBS Securities LLC

FA: James Capital Advisors Inc.

Dated Date: 10/3/06

The Town of Elizabeth, Colorado (“Elizabeth” or the “Town”) issued just over \$4 million of bonds to finance the construction of street improvements and pay the cost of issuance. Radian insured a \$3.5 million issue for the Town in 2003. Both series of bonds are secured by a first lien on 90% of a 1.5% Street Sales and Use Tax and, if necessary, a 1% Base Sales Tax (collectively referred to as the “Sales and Use Tax”).

Elizabeth is located in Elbert County, which is 15 miles east of Castle Rock and approximately 45 miles from the City of Denver. The Sales and Use Tax equaled \$1,107,653 in 2005 – nearly an 8% increase from the prior year, which provides pro-forma maximum annual debt service (“MADS”) coverage of 2.08x on all outstanding bonds. The top-ten sales and use taxpayers account for 75% of total Sales and Use Tax revenue, with the top payer, a major grocery store, representing 40% of the revenue. A loss of this top payer would drop pro-forma MADS coverage in 2005 to 1.25x. However, the store recently expanded by 20,000 square feet after opening only two years prior as they experienced demand in excess of initial projections. Furthermore, the closest comparable retail grocery is 12 miles away.

The Town accessed the market at lower interest rates based on Radian’s “AA” rating. Sample maturities with their spread to the Municipal Market Data Line (MMDL) AAA GO Index are outlined in the figure below.

Maturity	2015	2024	2027
Coupon	4.00%	4.75%	4.75%
Yield	4.04%	4.31%	4.34%
Spread to MMDL High Grade (bps)	+31	+23	+20

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