

Executive Summary

Financial Analysis 4.25% Rate: A Holistic Legal and Community Impact Study

This case study investigates the approval and implications of a 4.25% financing rate used in a non-competitive process for funding key municipal projects in Shawnee, Oklahoma. The initial decision, documented in early 2000s minutes, involved a \$2,265,000 bond allocation for a multi-purpose building at the Expo Center, with an overrun financing mechanism through a loan from the Shawnee Civic and Cultural Development Authority. Compared to competitive market rates estimated between 3.5% and 4.0%, the 4.25% rate is approximately 0.50 percentage points higher. This difference translates to an extra cost of about \$11,325 per year, or roughly \$226,500 over 20 years (excluding compounding effects).

From a legal perspective, the use of a non-competitive financing process raises questions about transparency, compliance with public procurement laws, and the fiduciary duty of public officials to secure the best terms for taxpayers. Legal scholars advocate for reforms, including mandatory competitive bidding and increased oversight, to ensure that public funds are used efficiently and ethically.

From the viewpoint of middle-income local citizens, the financing decision has both pros and cons. While the approved funding has enabled improved local infrastructure and timely project execution, the higher financing rate increases the fiscal burden on the community, potentially leading to higher taxes and reduced funding for other programs. Citizens have expressed concerns about the lack of transparency and limited

opportunities for public input in such decisions, calling for enhanced community participation and clearer communication regarding municipal financial strategies.

Ongoing monitoring of Shawnee City minutes and financial records will be crucial to track the evolution of financing practices. As additional documents—such as the 2005 refinancing initiative and utility consolidations—are reviewed, the study will continue to compare new rates against competitive benchmarks. The goal is to create a comprehensive, data-driven analysis that informs both policy reform and community engagement, ensuring that the financial decisions made today do not unduly burden the citizens of Shawnee in the future.

Financing Rate Comparison:

Competitive Market Rate (Estimated): 3.75%

Approved Rate (Non-Competitive): 4.25%

Difference: 0.50 percentage points

Dollar Impact Calculation:

Extra cost on \$2,265,000 = $\$2,265,000 \times 0.005 = \$11,325$ per year

Over 20 years (simple calculation) = $\$11,325 \times 20 = \$226,500$

Graphical Representation:

Rate (%)	Visual Bar	Annual Extra Cost
3.75%		- (Baseline Rate)
4.25%		+ \$11,325/yr

Note: Each "■" represents roughly 0.1% increase for the rate, and the extra cost column quantifies the additional annual burden.