

February 8, 2001

TO: Mayor Shaw and City Council Members
FROM: Jim Preston, Finance Officer
RE: Sales Tax Revenue Refunding Bonds, Series 2001C

The current low interest rates that are available on municipal bonds offer the City an opportunity to save \$600,000 to \$800,000, or over \$90,000 per year, in the cost of future debt service through an advance refunding of our 1992 sales tax bonds. The average interest rate would be reduced from 6.16% to a projected 4.56%.

In mid-March 2001 the City would sell the bonds to fix the interest rate. The proceeds would become available in March 2002 when the bonds are actually callable. The savings are net of costs of issuance, which are estimated at 1.5% of the \$13,320,000 issue, or \$199,000. The City would pay approximately \$96,000 of the costs at this time, with the remainder paid from the bond proceeds in March 2002. The City's \$96,000 would also be reimbursed from these bond proceeds, so the actual up-front cost to the City would be one year's lost interest on that expenditure, or approximately \$5,600.

As the debt service is paid from our CIP funds, the \$90,000 annual interest savings would increase the City's ability to fund future CIP projects.

I encourage you to adopt the resolution authorizing the issuance of these bonds.

A RESOLUTION AUTHORIZING THE ISSUANCE OF SALES TAX
REVENUE REFUNDING BONDS, SERIES 2001C OF THE CITY OF
RAPID CITY, SOUTH DAKOTA; PLEDGING A PORTION OF THE
SALES TAX RECEIPTS OF THE CITY TO THE PAYMENT OF
SAID BONDS; AUTHORIZING OFFICERS OF THE CITY TO
APPROVE, EXECUTE AND DELIVER CERTAIN AGREEMENTS
AND DOCUMENTS RELATING TO THE BONDS

BE IT RESOLVED by the Common Council of the City of Rapid City, South Dakota, as follows:

Section 1. Findings. It is hereby found, determined and declared that:

(A) The City of Rapid City, in the County of Pennington and State of South Dakota (the "City"), is a political subdivision of the State of South Dakota and a body corporate and politic.

(B) Under the laws of the State of South Dakota, the City is possessed of all powers which are necessary, requisite or proper for the government and administration of its local and municipal matters, and all rights and powers that now or hereafter may be granted to municipalities by the laws of the State of South Dakota.

(C) The City is authorized by Chapter 10-52, South Dakota Codified Laws (the "Act") to levy a "non-ad valorem tax" (as defined by the Act) on the sale, use, storage and consumption of items taxed under Section 10-45 and 10-46 of the South Dakota Codified Laws, subject to certain exceptions; and the City has adopted and enacted Chapter 3.16 of the Rapid City Municipal Code (the "Ordinance") pursuant to the Act imposing the sales tax authorized by the Act within the City, such tax being hereinafter referred to as the "Sales Tax".

(D) The City may issue municipal non-ad valorem tax revenue bonds pursuant to Section 10-52-2.10 of the Act and Chapter 6-8B, South Dakota Codified Laws in anticipation of the collection of the Sales Tax. Such bonds are required to be payable solely from collections of the Sales Tax, and the City is required to covenant that it will continue to impose and collect the Sales Tax so long as such bonds are outstanding.

(E) The City has heretofore issued its Sales Tax Revenue Refunding Bonds, Series 1992B (the "Series 1992B Bonds"), in the original principal amount of \$14,000,000, payable as to principal, premium, if any, and interest from the Sales Tax. The callable maturities of the Series 1992B Bonds are referred to in this Resolution as the "Refunded Bonds."

(F) As authorized by the Ordinance and the Act, the City has determined that it is necessary and desirable to issue additional sales tax revenue bonds to be designated "City of Rapid City, South Dakota, Sales Tax Revenue Refunding Bonds, Series 2001C" (the "Series 2001C Bonds"), the proceeds of which would be used, together with any additional funds of the City which might be required, (i) to refund in advance of maturity the callable maturities of the Refunded Bonds, (ii) to pay the costs of issuance of the Series 2001C Bonds and the premium for

bond insurance, if any, and (iii) to provide an allowance for original issue discount. The Series 2001C Bonds will be issued pursuant to the Indenture of Trust, dated as of April 1, 1988, as heretofore supplemented (the "Original Indenture") and as supplemented by an Eighth Supplemental Indenture (the "Eighth Supplemental Indenture").

Section 2. Authorization of Bonds.

(A) The City hereby authorizes the issuance of the Series 2001C Bonds in accordance with the provisions of the Act, the Ordinance, the Indenture and this Resolution. The Series 2001C Bonds shall be issued in the principal amount not to exceed the amount necessary to provide for the refunding of the Refunded Bonds and to pay the costs of issuance, including bond insurance premium, if any, plus any additional principal amount of bonds (not exceeding 2% of the principal amount of the bonds) necessary as an allowance for original issue discount; all subject to the limitations of the laws of the State of South Dakota and of the Internal Revenue Code of 1986 (the "Code"). The Original Indenture permits the issuance of additional bonds payable on a parity with the Outstanding Bonds; and it is hereby found that the tests set forth in the Original Indenture for the issuance of additional bonds can be met.

(B) The Series 2001C Bonds shall be issued in such form, mature at the time or times and on such terms, consistent with this resolution, as shall be provided in the Eighth Supplemental Indenture and other agreements whose execution and delivery is authorized by Section 5 of this resolution.

(C) The Series 2001C Bonds shall bear interest at the rate or rates per annum provided in the Eighth Supplemental Indenture authorized by Section 5 of this resolution, but the average coupon interest rate of the Series 2001C Bonds shall not exceed 5.00% per annum.

(D) The Series 2001C Bonds shall be special, limited obligations of the City, payable solely from the Sales Tax and other moneys pledged therefor. The Series 2001C Bonds shall not be payable from any general or other fund of the City, and the Series 2001C Bonds shall not constitute general obligations of the city.

Section 3. Pledge of Sales Tax. The Sales Tax collections shall be pledged and appropriated to the payment of the Series 2001C Bonds as set forth in the Indenture, including the supplements thereto.

Section 4. Retention of Managing Underwriter, Financial Advisor, Bond Counsel and Underwriters' Counsel. The City hereby retains Dougherty & Company LLC, in Minneapolis, Minnesota, as senior managing underwriter, together with such other underwriters as may be named in the Bond Purchase Agreement described below, for the purpose of underwriting the Series 2001C Bonds. The City hereby retains the firm of Dorsey & Whitney LLP, Minneapolis, Minnesota, to act as bond counsel and disclosure counsel with respect to the Series 2001C Bonds.

Section 5. Authorization of Documents. In connection with the authorization, issuance and delivery of the Series 2001C Bonds, the officers of the City designated by Section 6 of this

resolution shall enter into, execute and deliver the following indenture, agreements and documents:

(A) the Eighth Supplemental Indenture to provide for the issuance of the Series 2001C Bonds and setting forth the terms thereof;

(B) the Bond Purchase Agreement or similar agreement providing for sale of the Series 2001C Bonds at an underwriters' discount not exceeding .90% and an original issue discount not exceeding 2% of the principal amount of the Series 2001C Bonds;

(C) a continuing disclosure agreement or undertaking satisfying the requirements of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended; and

(D) such other documents, agreements or instruments as may be necessary to make covenants and recite facts required to demonstrate the validity and enforceability of Series 2001C Bonds under the laws of the State of South Dakota and to assure the exclusion of the interest thereon from the gross income of the owners of the Series 2001C Bonds under the Code and to effectuate the terms and intent of this resolution. The execution and delivery of such indenture, agreements and documents is hereby authorized and directed, the indenture, agreements and documents to be in such form and to contain such terms, consistent with this resolution, as the officers of the City designated herein shall determine to be necessary and desirable.

Section 6. City Officers. The Mayor, City Finance Officer and City Attorney of the City are hereby authorized and directed to execute and deliver the indenture, agreements and documents authorized by Section 5 hereof. Execution and delivery of such items by the Mayor, City Finance Officer and City Attorney shall constitute evidence that such items are consistent with the terms of this resolution and have been duly authorized, executed and delivered by the City and are enforceable against the City in accordance with their terms, subject to customary exceptions relating to bankruptcy, reorganization, insolvency and other laws affecting creditors' rights. The Mayor, City Finance Officer and City Attorney are further authorized to take such other actions as may be required to effectuate the terms and intent of this resolution. In the event of the absence or disability of the Mayor, City Finance Officer or City Attorney, such other officers of the City as, in the opinion of the City Attorney act in the absence of such officers, are hereby authorized to act in the place and stead of the Mayor, City Finance Officer and City Attorney, and to take all actions and execute all documents approved hereby.

Section 7. Ratification. All actions heretofore taken by the City or any of its officers in connection with the Series 2001C Bonds and the refunding of the Refunded Bonds are hereby ratified and confirmed.

Section 8. Amendment. This resolution may be amended at any time prior to the issuance of the Series 2001C Bonds by adoption of an administrative resolution.

Dated this ____ day of February, 2001.

THE COMMON COUNCIL

(SEAL)

ATTEST:

Mayor

Finance Officer

Adopted: February 19, 2001.

Published: _____, 2001.

Effective Date: _____, 2001.