



CITY OF RAPID CITY
RAPID CITY, SOUTH DAKOTA 57701-2724


PUBLIC WORKS DEPARTMENT

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MEMORANDUM

TO: .16 Utility Committee

FROM: Dirk Jablonski, Public Works Director 

DATE: July 17, 2007

RE: Pactola Reallocation

The Pactola Reallocation Contract requires that the City pay the United States \$3,000,000 that the City of Rapid City owes for the construction of the reservoir. That agreement has been authorized by the Council.

The 2012 Fund will provide \$1,000,000. A bond sale could be implemented; however, the sale is small and, therefore, relatively expensive. The cost of issuance plus rating and insurance fees would be \$29,500. In addition, \$225,000 of the issuance would have to be held in reserve until final payment is made in 2020. A total bond sale of \$2,255,000 would be needed for \$2,000,000 in revenue. The interest rate would be approximately 4.5%. Annual payment is estimated at \$236,000 to \$238,000. Rates will not have to be increased to pay bond debt.

Another option is to borrow \$1,700,000 from the .16 Fund at an interest rate of 4.5%. The balance could come from the current enterprise fund. The .16 Fund would be reimbursed from water revenue. Although the length of the loan from the .16 Fund could be up to 20 years, the fund could be completely reimbursed from future bond sale for a planned water treatment facility. A larger bond sale would be more cost effective than a small bond sale. This option is recommended by the Finance Department.

The .16 Utility Fund Oversight Committee is asked to consider lending \$1,700,000 to the Water Utility Enterprise Fund.