

**REQUEST FOR PROPOSAL TO PROVIDE INVESTMENT CONSULTING
SERVICES FOR THE CITY OF RAPID CITY IN ISSUING APPROXIMATELY
\$110 MILLION TO \$135 MILLION IN WATER AND SEWER REVENUE BONDS**

The City of Rapid City, South Dakota (the "City"), is accepting proposals from qualified investment advisory firms to assist in the issuance of approximately \$135 million of water and sewer revenue bonds.

Background

The City is the largest user of the Deerfield/Pactola water shed and along with nine wells supplies water to over 20,000 households and businesses. In addition, Rapid City supplies water to Ellsworth Air Force Base, Chapel Lane Water Company and the Rapid Valley Sanitary District. In 2006, the State Department of Environment and Natural Resources, who has primacy of the regulations adopted by the Environmental Protection Agency (EPA), directed that the Jackson Springs water gallery be discontinued because of a potential threat of surface contamination. Jackson Springs provided over 40% of the potable water to the City on an annual basis. The City is in the process of designing a membrane treatment facility to treat the water at Jackson Springs. The City will also be replacing the conventional surface water treatment plant that was constructed in 1961. In addition, the City will also be upgrading a portion of the Wastewater Treatment Plant.

Purpose

The Mayor and staff are currently exploring the possibility of obtaining federal grants to help fund a portion of these improvements. They are also exploring the possibility of borrowing funds from the State Revolving Fund (SRF). The majority of funds needed will have to be borrowed through the sale of revenue bonds.

Scope of Work

The financial advisor will work with the City to develop the most efficient method of financing and the sale of bonds. The financial advisor will be tasked with soliciting proposals from possible underwriters, evaluating submitted proposals, and recommending to the City the most cost-effective structure to finance the debt service payment. The financial advisor will assist in determining the structure and terms of the bonds and if a single underwriter will be used or if the transaction, or portion thereof, should be competitively bid. Bonds must be sold by the end of April 2009. The financial advisor must work closely with utility rate consultant to fit debt service within confines of the utility rate model.

Submittal of Proposal

Each firm should prepare and submit five copies of its proposal to the Rapid City Finance Office no later than 2 p.m. MST on Thursday, January 22, 2009, to the following address:

James F Preston
City Finance Officer
300 Sixth Street

Rapid City, SD 57701

The proposal shall be signed by a partner or principal of the firm. An unsigned proposal may be rejected.

The proposal must be delivered in a plainly marked package, "Proposal to Provide Investment Consulting Services to the City of Rapid City." A proposal shall be considered late and will be rejected if received at any time after the exact time specified for return of proposals.

Issuing office for the Request for Proposal is:

City of Rapid City—Finance

300 Sixth Street

Rapid City, SD 57701

Any questions concerning the RFP should be directed to the attention of James F Preston, Finance Officer at the above address, by phone 605-394-4143, or by e-mail to jim.preston@rcgov.org.

It is the policy of the City to solicit proposals with a bona fide intention to award a contract. However, this policy will not affect the right of the City to reject any, or all, proposals.

The failure to meet all RFP policy requirements shall not automatically invalidate a proposal. The final decision rests with the City.

The proposal should be as concise as possible. It should describe how the firm would propose to accomplish the scope of work set forth in this Request for Proposal (RFP). Each proposal should include the following information in its response:

Firm Profile

Briefly describe your firm indicating the size, structure, location of offices, and years in business.

Firm Experience

- List most recent experience in the upper Midwest and South Dakota as a financial advisor. Briefly describe the work performed.
- Identify your experience with municipal financing, in particular the use of revenue bonds.
 - Describe your experience with the public financing of water and sewer systems.
 - Describe innovations you have developed or worked on for water or sewer systems and other relevant transactions, briefly outlining the challenge, your solution, and the outcome.
- Please provide three current references with a point of contact, address, and phone number.

Staff Assignments

- Identify the person(s) who will be assigned to work with the City staff. Describe the qualifications and recent experience of the person(s) and include a résumé for each.

- Include a statement as to availability, position in the firm, and other current assignments.
- Identify the individual that would be primarily responsible for fulfilling the firm's obligations as financial advisor and identify who would serve as backup should the lead person become unavailable for any reason.

Task Plan

- Submit a detailed task plan for your firm's role as financial advisor for the City in the financing of member prepayment. This should include a proposed calendar of events with the responsibility for the tasks identified.

Fee Structure

- Clearly indicate your proposed fee structure for providing the financial advisory services described herein. If there will be a cap on the fees, please indicate such cap. Identify all "out of-pocket" expenses you propose to bill over and above the scheduled fees and indicate on what basis they will be charged.

Professional Liability Insurance

- The financial advisor will be required to provide proof of professional liability insurance.