



CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701-5035

City Finance Office

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To: Council
From: Jim Preston *Jim*
Subject: Underwriter recommendation
Date: August 7, 2009

A "request for proposal" (RFP) was sent to 24 firms asking them to submit a Proposal to sell \$41 million worth of bonds to finance the upgrades in the Rapid City water system. Nine Proposals were received and reviewed by a Task Force consisting of Ron Kroeger, Pauline Sumption, Barry Fick (financial advisor), Dan Coon, Joel Landeen and me. Telephone interviews were conducted with three finalists.

The Task Force is recommending the selection of RBC as the underwriter for this issuance for the following reasons:

- RBC has a strong retail market presence in Rapid City and South Dakota as well as a broad institutional market presence nationwide.
- RBC's view on "Bank Qualification" status is comprehensive and well reasoned, noting that Bank Qualification is of limited value considering the high potential of using "Build America Bonds" (BAB's) and the current low bond interest rates available. There is an interest rate risk if we delayed the sale of a portion of the bonds into 2010 to obtain Bank Qualified status.
- The Task Force agrees with RBC that defeasing the current issue of Water bonds would not be advantageous. The current issue is scheduled to be paid off on November 1, 2009 and there are sufficient funds available in the reserve account to fund the repayment.
- RBC prepared the most detailed and comprehensive Proposal in response to the RFP and for the telephone interview.
- RBC has considerable experience with BAB's, is a large issuer of water revenue bonds and has experience with South Dakota water improvement bonds.
- Fees were favorable.

Cc: Mayor Hanks, Pauline Sumption, Barry Fick, Joel Landeen, Dan Coon



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