

October 23, 2000

TO: Mayor Jim Shaw and Members of the City Council
FROM: Jim Preston, Finance Officer
RE: Bond Issue for Financing 2012 Projects

In August the City issued a Request for Proposals for a firm to serve as senior managing underwriter on a \$23,920,000 seven-year revenue bond issue to fund the 2012 Plan. Prospective respondents were requested to describe their firm, identify prior experience as senior managing underwriter for similar revenue bond issues in South Dakota during the past five years, describe their marketing plan, discuss the range of service they would provide, summarize estimated fees and provide a preliminary financing structure and estimated interest rates. We received responses from Wells Fargo Public Finance and from Dougherty & Company LLC in cooperation with Dain Rauscher.

A summary of the financing proposals is attached. Initially it may appear that the variable rate structure recommended by Wells Fargo is the most economical. However, we do not recommend a variable rate structure on a short issue such as this when rates are currently so low, because it subjects us to interest rate risk.

Wells Fargo's fixed-rate proposal including a wrap of the existing 2012 issue (which means less retirement of principal in 2001 and 2002 while the debt on the first 2012 bond is still being paid) includes total interest of \$5,554,341 and an all-inclusive cost of 4.89%. The comparable proposal from Dougherty includes total interest of \$4,554,196 and an all-inclusive cost of 4.5%. The fees and expenses for Wells Fargo are \$167,440 compared with \$145,049 for Dougherty.

We recommend that the City engage the team of Dougherty/Dain Rauscher to finance the 2012 Sales Tax Revenue Bonds of 2000. The team provides extensive experience in financing similar projects throughout South Dakota, and its proposal is economically advantageous. Dougherty and Dain cooperated on Rapid City's last 2012 issue and Dougherty took the lead on the MRF financing, among many others. All such financings were efficiently and effectively completed.

A RESOLUTION AUTHORIZING THE ISSUANCE OF SALES TAX REVENUE BONDS, SERIES 2000 AND SERIES 2001A 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 Sales Tax Revenue, Series 1995C (the "Series 1995C Bonds"), in the original aggregate principal amount of \$20,605,000 pursuant to a resolution adopted by the Common Council on March 6, 1995, as amended by a resolution adopted on June 19, 1995, and an Indenture of Trust, dated as of July 1, 1995 (the "Original Indenture of Trust"), between the City and The First National Bank in Sioux Falls, in Sioux Falls, South Dakota (the "Trustee").

(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 under Sections 4-1 and 4-2 of the Original Indenture, in two series to be designated "City of Rapid City, South Dakota, Sales

Tax Revenue Bonds, Series 2000" (the "Series 2000 Bonds") and "City of Rapid City, South Dakota Sales Tax Revenue Bonds, Series 2001A (the "Series 2001 Bonds," together with the Series 2000 Bonds, the "Bonds"), the proceeds of which would be used, together with any additional funds of the City which might be required, (i) to finance costs of land acquisition and construction of improvements of the kinds authorized by the Ordinance, (ii) to make a deposit to the Reserve Fund created under the Indenture (as hereinafter defined), and (iii) to pay the costs of issuance of the Bonds and the premium for bond insurance, if any. The Bonds will be issued pursuant the Original Indenture, as amended and supplemented by a First Supplemental Indenture of Trust (the "Supplemental Indenture," the Original Indenture, as amended and supplemented by the Supplemental Indenture is referred to herein as the "Indenture"), between the City and the Trustee.

Section 2. Authorization of Bonds.

(A) The City hereby authorizes the issuance of the Bonds in accordance with the provisions of the Act, the Ordinance, the Indenture and this Resolution. The Series 2000 Bonds and the Series 2001 Bonds shall be issued in principal amounts not to exceed \$10,000,000 and \$14,000,000, respectively, 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 Series 1995 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 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 Supplemental Indenture and other agreements whose execution and delivery is authorized by Section 5 of this Resolution, provided that neither series of Bonds shall mature later than seven years from its date of issue.

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

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

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

Section 4. Retention of Managing Underwriter and Bond Counsel and Disclosure Counsel. The City hereby retains Dougherty & Company, LLC, in Sioux Falls, South Dakota, 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 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 Bonds.

Section 5. Authorization of Documents. In connection with the authorization, issuance and delivery of the 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 Supplemental Indenture to provide for the issuance of the Bonds and setting forth the terms thereof;

(B) the Bond Purchase Agreement or similar agreement providing for sale of Bonds at an underwriters' discount not exceeding 0.90% and an original issue discount not exceeding 2% of the principal amount of each series of 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 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 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, the President of the City Council, the Assistant Finance Officer or the Assistant City Attorney 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. The City Finance Officer is authorized to designate the Series 2000 Bonds as "qualified tax exempt obligations" for purposes of Section 265(b) of the Internal Revenue Code of 1986, as amended, if bond counsel determines that such designation is appropriate.

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

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

Dated this ____ day of _____, 2000.

THE COMMON COUNCIL

(SEAL)

Mayor

ATTEST:

Finance Officer

Adopted: _____, 2000

Published: _____, 2000

Effective Date: _____, 2000

A RESOLUTION AUTHORIZING THE ISSUANCE OF SALES TAX REVENUE BONDS, SERIES 2001B 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) As authorized by the Ordinance and the Act, the City has determined that it is necessary and desirable to issue sales tax revenue bonds to be designated "City of Rapid City, South Dakota, Sales Tax Revenue Bonds, Series 2001B" (the "Series 2001B Bonds"), for the purpose of paying the costs of land acquisition and construction of improvements of the kinds authorized by the Ordinance, to fund a reserve fund, to pay the costs of issuance of the Series 2001B Bonds and the premium for bond insurance, if any. The Series 2001B Bonds will be issued pursuant an Indenture of Trust (the "Indenture"), between the City and The First National Bank in Sioux Falls South Dakota (the "Trustee").

Section 2. Authorization of Bonds.

(A) The City hereby authorizes the issuance of the Series 2001B Bonds in accordance with the provisions of the Act, the Ordinance, the Indenture and this Resolution. The Series 2001B Bonds shall be issued in a principal amount not to exceed \$2,000,000, 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").

(B) The Series 2001B 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 Indenture and other agreements whose execution and delivery is authorized by Section 5 of this Resolution, provided that the Series 2001B Bonds shall not mature later than five years from the date of issue.

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

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

Section 3. Pledge of Sales Tax. A portion of the Sales Tax collections shall be pledged and appropriated to the payment of the Series 2001B Bonds as set forth in the Indenture and any supplements thereto.

Section 4. Retention of Managing Underwriter and Bond Counsel and Disclosure Counsel. The City hereby retains Dougherty & Company, LLC, in Sioux Falls, South Dakota, 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 2001B 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 2001B Bonds.

Section 5. Authorization of Documents. In connection with the authorization, issuance and delivery of the Series 2001B 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 Indenture to provide for the issuance of the Series 2001B Bonds and setting forth the terms thereof;

(B) the Bond Purchase Agreement or similar agreement providing for sale of the Series 2001B Bonds at an underwriters' discount not exceeding 0.90% and an original issue discount not exceeding 2% of the principal amount of the Series 2001B 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 2001B 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 2001B 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, the President of the City Council, the Assistant Finance Officer or the Assistant City Attorney 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 2001B Bonds are hereby ratified and confirmed.

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

Dated this ___ day of _____, 2000.

THE COMMON COUNCIL

(SEAL)

Mayor

ATTEST:

Finance Officer

Adopted: _____, 2000

Published: _____, 2000

Effective Date: _____, 2000