



CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701-5035

City Finance Office

300 Sixth Street

Rapid City, South Dakota 57701-5035

605-394-4143

To: Mayor & City Council

From: Pauline Sumption

Date: June 20, 2011

Subject: Evidence Building/Public Safety Building Parking Ramp Financing Options

I will need the Council to act on two different things, the first of which is to agree to an interest rate that the City will pay to the County for their share of the evidence building/parking ramp once the construction of the facility is complete and a final dollar amount is known. The recommendation from the County's bond counsel was 4.111%. This is a blended interest rate between the County's various bond issues for this project, less any interest refunded to the County as part of the Recovery Zone bonds (ARRA funding). This interest rate does appear reasonable to me and I would recommend accepting this rate.

The second item to be acted on would be to give staff direction in regards to the financing method in which the City will repay the County for our portion of the cost. Currently, the City's portion of the evidence building and public safety building parking ramp is estimated at \$3,840,714. In my view, we have four basic options.

- Make annual payments to the County for principal and interest on a 30-year amortization with the option in paying in full at any given time. Annual payments would be approximately \$225,000. Possible funding sources for the annual payment could be the 2012 or CIP contingency funds. After the initial payments are made, a different funding source could be identified during the budgeting process.
- Make annual payments to the County for principal and interest on a 30-year amortization with a balloon payment in 5 years. The balloon payment would be made through the next round of the 2012 program. Annual payments would be approximately \$225,000. Possible funding sources for the annual payment could be the 2012 or CIP contingency funds.
- Make annual payments to the County for interest only on a 30-year amortization with a balloon payment in 5 years. The balloon payment would be made through the next round of the 2012 program. Annual payments would be approximately \$158,000. Possible funding sources for the annual payment could be the 2012 or CIP contingency funds.
- Make no annual payments to the County with a balloon payment in 5 years, which would include principal and accrued interest. The funding source for this option would be the next round of the 2012 program.

After further consideration, my recommendation would be to approve the first option with the initial funding source being 2012 contingency. This allows the Council some flexibility without tying its hands to pay the entire debt off in five years through the 2012 program.



EQUAL HOUSING
OPPORTUNITY

EQUAL OPPORTUNITY EMPLOYER