



DOUGHERTY & COMPANY LLC

*Innovative Financial Solutions Nationwide*

# City of Rapid City

*Presentation on  
Civic Center Expansion  
Civic Center Expansion & Fire Stations*

*August 18, 2014*

## **Agenda**

- **The Projects**
- **Certificates of Participation (COP) structure**
- **Historical Interest Rates**
- **Impact to Vision Fund**
- **Current and Proposed CIP & Vision Fund**
- **Timeline**

## **The Projects**

- **Financial planning for an issuer**
- **Construction cost of \$180 million**
  - **Rushmore Plaza Civic Center Expansion Project**
    - **\$180 million**
- **Construction cost of \$200 million**
  - **Rushmore Plaza Civic Center Expansion Project**
    - **\$180 million**
  - **Fire Station Projects**
    - **\$20 million**
    - **New main fire station and a fire station at Western Dakota Tech**

## Certificates of Participation Structure

- **Explanation of Debt Limit**
- **Lease-Purchase**
  - A Trustee becomes the technical owner of the property and leases it to the City subject to the City's right to terminate on an annual basis. The City makes lease payments to repay the cost of the improvements and an Underwriter sells certificates of participation in that lease to numerous and various types of investors. The City retains operational control and gets full title to the property upon termination of the ground lease.
- **Ground Lease**
  - City as Lessor will enter into a Ground Lease with Trustee as Lessee for all property where any improvements will be made for \$1 for a term that is typically 10 years longer than Lease. The Ground Lease provides that it will be automatically extended for additional 10 years if Lease has not been paid off on scheduled maturity date. Upon termination of the ground lease full and unencumbered title goes to the City.

## Certificates of Participation Structure

- **Lease-Purchase Agreement**

- The Trustee as Lessor will enter into a Lease-Purchase Agreement (Lease) with the City as Lessee for a term (not more than 30 years) equal to the term and lease payments on Certificates of Participation (COPs). The COPs are issued by the City with the proceeds going to the Trustee to pay for the construction of the improvements as well as to fund a Reserve Fund and pay costs of issuance. The Trustee agrees to construct the improvements but appoints the City as its agent to perform all acts relating thereto including designing, bidding and entering into contracts, etc. The City will also be responsible for all operations, maintenance and insurance etc. The Lease will provide that the City has the right on or before July 1 of each year to give notice of its intent not to renew for the following calendar year, which is also the City's fiscal year. If the City does not give this notice then the Lease will remain in full force and effect and the City must appropriate money for that following year. In the event of termination of the lease by the City the Trustee (on behalf of the Certificate Owners) would take possession and control of property on behalf of Certificate Owners until the expiration of the ground lease.

## Certificates of Participation Structure

- **Trust Indenture**

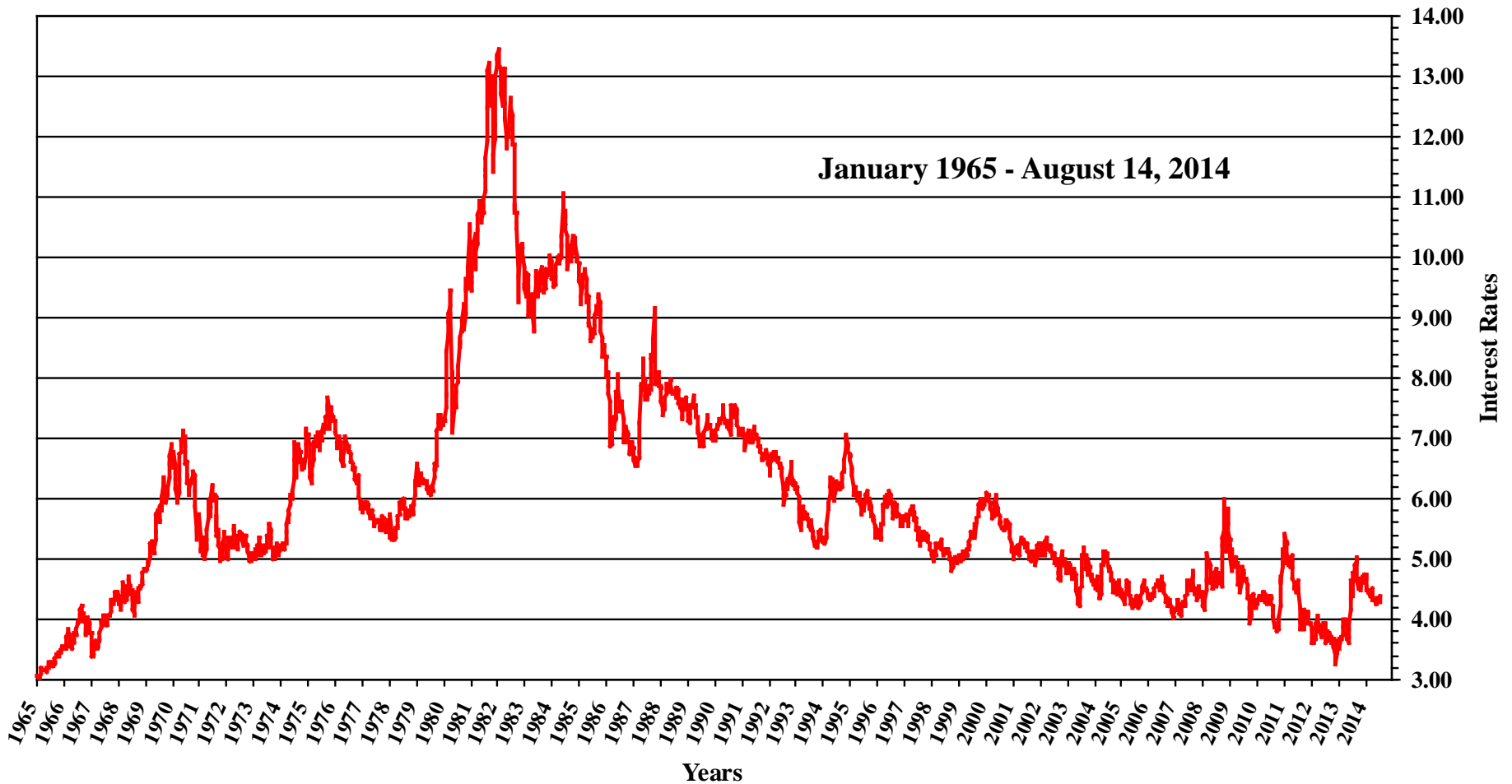
- The City will join into an Indenture of Trust (Indenture) with the Trustee that will set forth the Trustee duties, responsibilities, and rights relative to its role as Trustee relative to the Certificates of Participation (COPs). This would also provide for Trustee's role relative to the various funds created under the Indenture including duties and responsibilities relating to the investment of any money in the funds. It would also set forth the Trustee's duties relative the Certificate owners in the event of termination of the Lease by the City as well as in the case of any default.

- **Impact of non-appropriation**

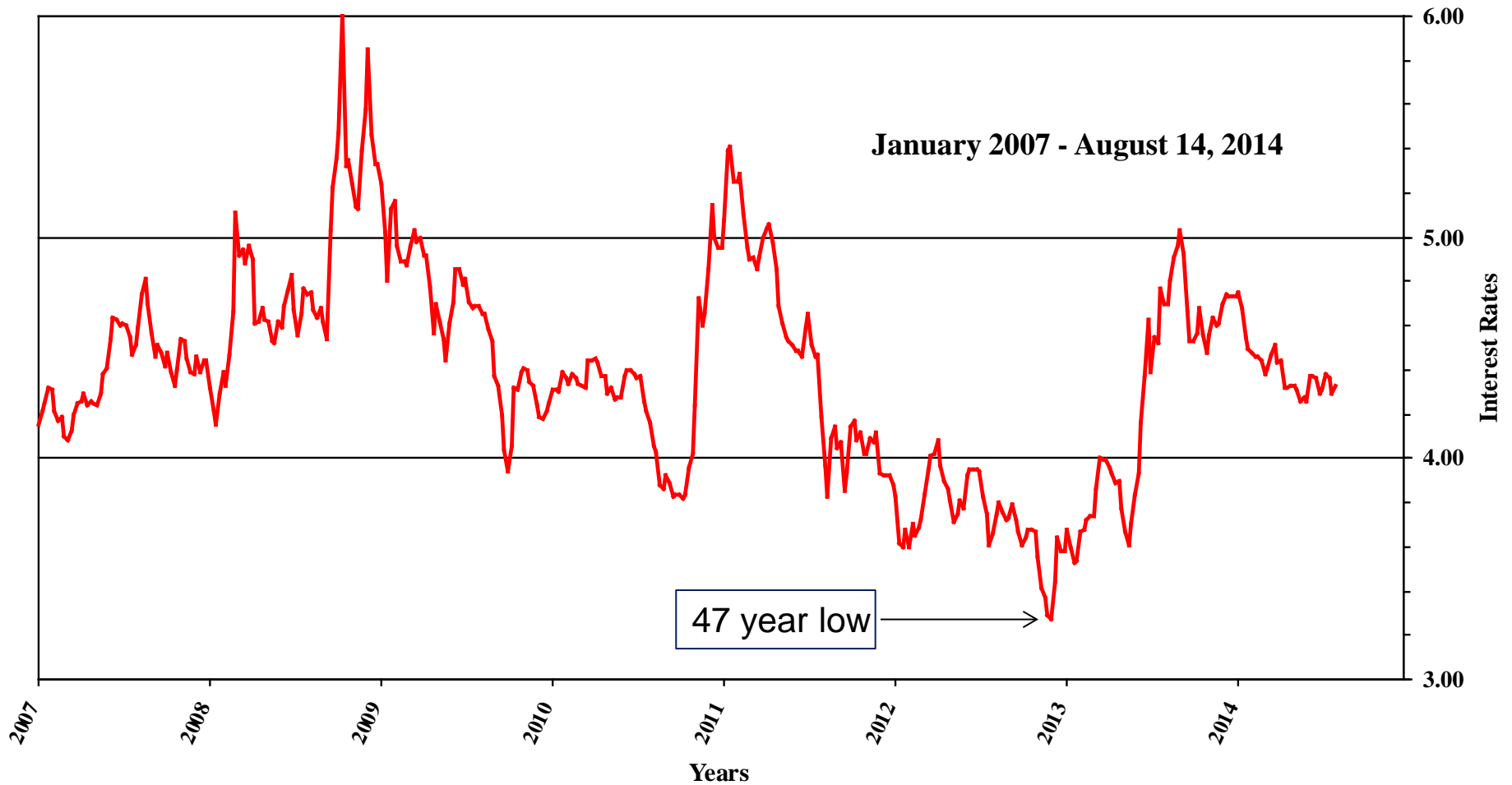
- Loss of Debt Service Reserve Fund
- Significantly reduced Rating
- Significant increase in borrowing cost
- Loss of facility for the remaining term of the lease plus 20 years
- Litigation cost

# Historic Interest Rate

## Bond Buyer: 20 Bond Index







# Vision Account

*Future Vision Projects and Debt Service*

# DOUGHERTY & COMPANY LLC

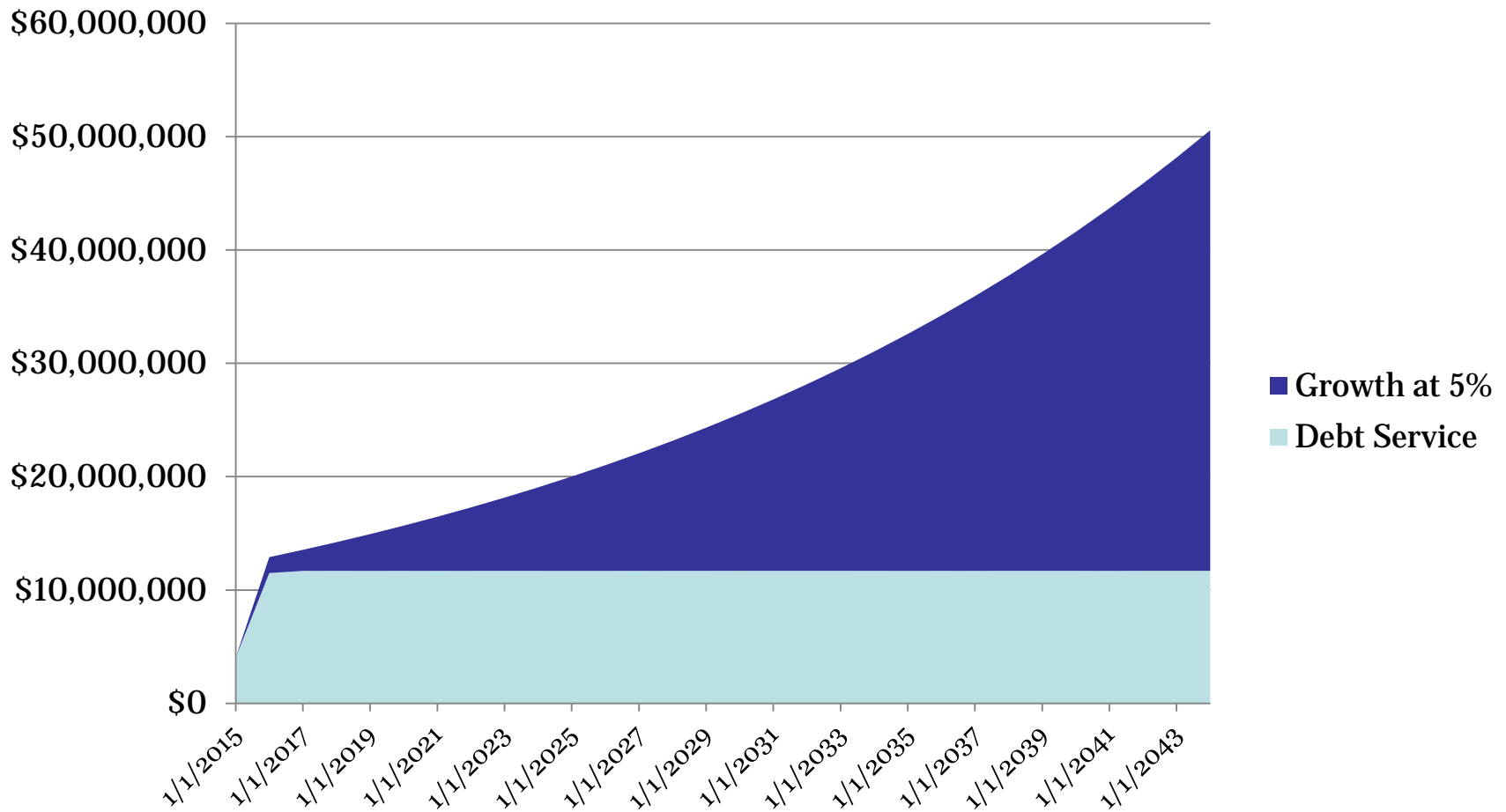
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## Construction Fund: \$180 million

Year	<u>CIP/Vision Fund</u>	<u>CIP Account</u>	<u>Vision Account</u>	<u>Debt Service</u>	<u>Vision Account after Debt Service</u>
2014	23,400,000.00	11,700,000.00	11,700,000.00		
2015	24,570,000.00	12,285,000.00	12,285,000.00	4,022,821.25	-
2016	25,798,500.00	12,899,250.00	12,899,250.00	11,495,642.50	1,403,607.50
2017	27,088,425.00	13,544,212.50	13,544,212.50	11,687,867.50	1,856,345.00
2018	28,442,846.25	14,221,423.13	14,221,423.13	11,690,092.50	2,531,330.63
2019	29,864,988.56	14,932,494.28	14,932,494.28	11,688,630.00	3,243,864.28
2020	31,358,237.99	15,679,119.00	15,679,119.00	11,689,822.50	3,989,296.50
2021	32,926,149.89	16,463,074.95	16,463,074.95	11,687,972.50	4,775,102.45
2022	34,572,457.38	17,286,228.69	17,286,228.69	11,689,347.50	5,596,881.19
2023	36,301,080.25	18,150,540.13	18,150,540.13	11,690,132.50	6,460,407.63
2024	38,116,134.27	19,058,067.13	19,058,067.13	11,689,637.50	7,368,429.63
2025	40,021,940.98	20,010,970.49	20,010,970.49	11,689,250.00	8,321,720.49
2026	42,023,038.03	21,011,519.01	21,011,519.01	11,689,000.00	9,322,519.01
2027	44,124,189.93	22,062,094.97	22,062,094.97	11,687,750.00	10,374,344.97
2028	46,330,399.43	23,165,199.71	23,165,199.71	11,690,000.00	11,475,199.71
2029	48,646,919.40	24,323,459.70	24,323,459.70	11,690,000.00	12,633,459.70
2030	51,079,265.37	25,539,632.68	25,539,632.68	11,692,250.00	13,847,382.68
2031	53,633,228.64	26,816,614.32	26,816,614.32	11,691,000.00	15,125,614.32
2032	56,314,890.07	28,157,445.03	28,157,445.03	11,690,750.00	16,466,695.03
2033	59,130,634.57	29,565,317.29	29,565,317.29	11,690,750.00	17,874,567.29
2034	62,087,166.30	31,043,583.15	31,043,583.15	11,690,250.00	19,353,333.15
2035	65,191,524.62	32,595,762.31	32,595,762.31	11,688,500.00	20,907,262.31
2036	68,451,100.85	34,225,550.42	34,225,550.42	11,689,750.00	22,535,800.42
2037	71,873,655.89	35,936,827.94	35,936,827.94	11,688,000.00	24,248,827.94
2038	75,467,338.68	37,733,669.34	37,733,669.34	11,692,500.00	26,041,169.34
2039	79,240,705.62	39,620,352.81	39,620,352.81	11,692,000.00	27,928,352.81
2040	83,202,740.90	41,601,370.45	41,601,370.45	11,690,750.00	29,910,620.45
2041	87,362,877.94	43,681,438.97	43,681,438.97	11,687,750.00	31,993,688.97
2042	91,731,021.84	45,865,510.92	45,865,510.92	11,692,000.00	34,173,510.92
2043	96,317,572.93	48,158,786.47	48,158,786.47	11,692,000.00	36,466,786.47
2044	101,133,451.58	50,566,725.79	50,566,725.79	11,691,750.00	<u>38,874,975.79</u>
				<b>Total for other Vision Projects:</b>	<b>\$ 465,101,096.57</b>

Assuming a 5.0% Growth

## Construction Fund: \$180 million



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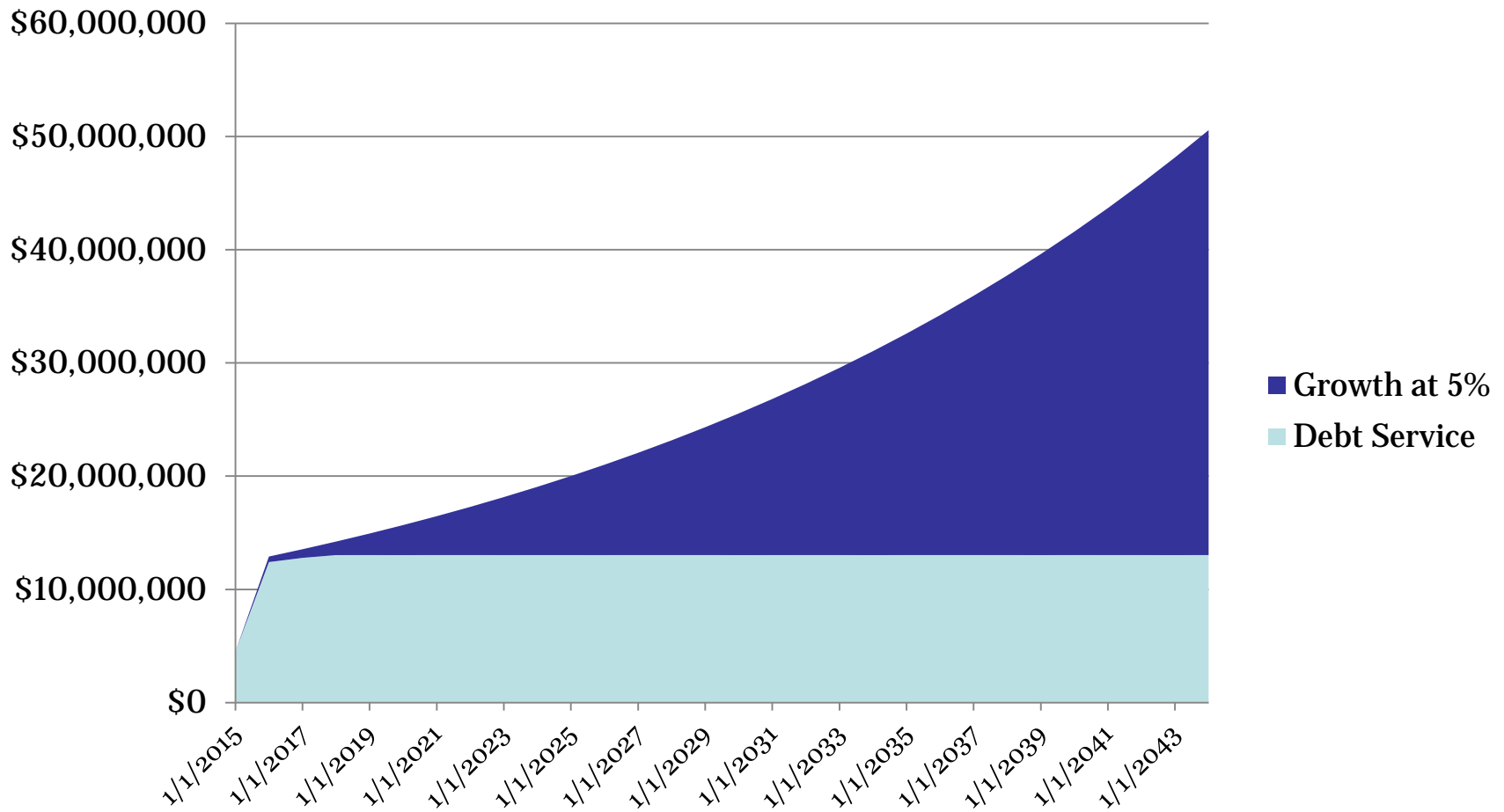
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## Construction Fund: \$200 million

<u>Year</u>	<u>CIP/Vision Fund</u>	<u>CIP Account</u>	<u>Vision Account</u>	<u>Debt Service</u>	<u>Vision Account after Debt Service</u>
2014	23,400,000.00	11,700,000.00	11,700,000.00		
2015	24,570,000.00	12,285,000.00	12,285,000.00	4,480,138.75	-
2016	25,798,500.00	12,899,250.00	12,899,250.00	12,410,277.50	488,972.50
2017	27,088,425.00	13,544,212.50	13,544,212.50	12,782,502.50	761,710.00
2018	28,442,846.25	14,221,423.13	14,221,423.13	13,027,387.50	1,194,035.63
2019	29,864,988.56	14,932,494.28	14,932,494.28	13,028,912.50	1,903,581.78
2020	31,358,237.99	15,679,119.00	15,679,119.00	13,026,622.50	2,652,496.50
2021	32,926,149.89	16,463,074.95	16,463,074.95	13,029,872.50	3,433,202.45
2022	34,572,457.38	17,286,228.69	17,286,228.69	13,029,872.50	4,256,356.19
2023	36,301,080.25	18,150,540.13	18,150,540.13	13,028,102.50	5,122,437.63
2024	38,116,134.27	19,058,067.13	19,058,067.13	13,028,832.50	6,029,234.63
2025	40,021,940.98	20,010,970.49	20,010,970.49	13,028,500.00	6,982,470.49
2026	42,023,038.03	21,011,519.01	21,011,519.01	13,028,000.00	7,983,519.01
2027	44,124,189.93	22,062,094.97	22,062,094.97	13,030,250.00	9,031,844.97
2028	46,330,399.43	23,165,199.71	23,165,199.71	13,029,500.00	10,135,699.71
2029	48,646,919.40	24,323,459.70	24,323,459.70	13,030,250.00	11,293,209.70
2030	51,079,265.37	25,539,632.68	25,539,632.68	13,026,750.00	12,512,882.68
2031	53,633,228.64	26,816,614.32	26,816,614.32	13,028,500.00	13,788,114.32
2032	56,314,890.07	28,157,445.03	28,157,445.03	13,029,500.00	15,127,945.03
2033	59,130,634.57	29,565,317.29	29,565,317.29	13,029,000.00	16,536,317.29
2034	62,087,166.30	31,043,583.15	31,043,583.15	13,026,250.00	18,017,333.15
2035	65,191,524.62	32,595,762.31	32,595,762.31	13,030,500.00	19,565,262.31
2036	68,451,100.85	34,225,550.42	34,225,550.42	13,030,500.00	21,195,050.42
2037	71,873,655.89	35,936,827.94	35,936,827.94	13,030,500.00	22,906,327.94
2038	75,467,338.68	37,733,669.34	37,733,669.34	13,029,500.00	24,704,169.34
2039	79,240,705.62	39,620,352.81	39,620,352.81	13,026,500.00	26,593,852.81
2040	83,202,740.90	41,601,370.45	41,601,370.45	13,030,500.00	28,570,870.45
2041	87,362,877.94	43,681,438.97	43,681,438.97	13,030,000.00	30,651,438.97
2042	91,731,021.84	45,865,510.92	45,865,510.92	13,029,000.00	32,836,510.92
2043	96,317,572.93	48,158,786.47	48,158,786.47	13,026,250.00	35,132,536.47
2044	101,133,451.58	50,566,725.79	50,566,725.79	13,030,500.00	<u>37,536,225.79</u>
			<b>Total for other Vision Projects:</b>		<b>\$426,943,609.07</b>

Assuming a 5.0% Growth

## Construction Fund: \$200 million



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## Construction Fund: \$200 million

<u>Year</u>	<u>CIP/Vision Fund</u>	<u>CIP Account</u>	<u>Vision Account</u>	<u>Debt Service</u>	<u>Vision Account after Debt Service</u>
2014	23,400,000.00	11,700,000.00	11,700,000.00		
2015	24,102,000.00	12,051,000.00	12,051,000.00	4,480,138.75	-
2016	24,825,060.00	12,412,530.00	12,412,530.00	12,410,277.50	2,252.50
2017	25,569,811.80	12,784,905.90	12,784,905.90	12,782,502.50	2,403.40
2018	26,336,906.15	13,168,453.08	13,168,453.08	13,027,387.50	141,065.58
2019	27,127,013.34	13,563,506.67	13,563,506.67	13,028,912.50	534,594.17
2020	27,940,823.74	13,970,411.87	13,970,411.87	13,026,622.50	943,789.37
2021	28,779,048.45	14,389,524.23	14,389,524.23	13,029,872.50	1,359,651.73
2022	29,642,419.90	14,821,209.95	14,821,209.95	13,029,872.50	1,791,337.45
2023	30,531,692.50	15,265,846.25	15,265,846.25	13,028,102.50	2,237,743.75
2024	31,447,643.28	15,723,821.64	15,723,821.64	13,028,832.50	2,694,989.14
2025	32,391,072.57	16,195,536.29	16,195,536.29	13,028,500.00	3,167,036.29
2026	33,362,804.75	16,681,402.38	16,681,402.38	13,028,000.00	3,653,402.38
2027	34,363,688.89	17,181,844.45	17,181,844.45	13,030,250.00	4,151,594.45
2028	35,394,599.56	17,697,299.78	17,697,299.78	13,029,500.00	4,667,799.78
2029	36,456,437.55	18,228,218.77	18,228,218.77	13,030,250.00	5,197,968.77
2030	37,550,130.67	18,775,065.34	18,775,065.34	13,026,750.00	5,748,315.34
2031	38,676,634.60	19,338,317.30	19,338,317.30	13,028,500.00	6,309,817.30
2032	39,836,933.63	19,918,466.82	19,918,466.82	13,029,500.00	6,888,966.82
2033	41,032,041.64	20,516,020.82	20,516,020.82	13,029,000.00	7,487,020.82
2034	42,263,002.89	21,131,501.45	21,131,501.45	13,026,250.00	8,105,251.45
2035	43,530,892.98	21,765,446.49	21,765,446.49	13,030,500.00	8,734,946.49
2036	44,836,819.77	22,418,409.88	22,418,409.88	13,030,500.00	9,387,909.88
2037	46,181,924.36	23,090,962.18	23,090,962.18	13,030,500.00	10,060,462.18
2038	47,567,382.09	23,783,691.05	23,783,691.05	13,029,500.00	10,754,191.05
2039	48,994,403.55	24,497,201.78	24,497,201.78	13,026,500.00	11,470,701.78
2040	50,464,235.66	25,232,117.83	25,232,117.83	13,030,500.00	12,201,617.83
2041	51,978,162.73	25,989,081.37	25,989,081.37	13,030,000.00	12,959,081.37
2042	53,537,507.61	26,768,753.81	26,768,753.81	13,029,000.00	13,739,753.81
2043	55,143,632.84	27,571,816.42	27,571,816.42	13,026,250.00	14,545,566.42
2044	56,797,941.83	28,398,970.91	28,398,970.91	13,030,500.00	<u>15,368,470.91</u>
			<b>Total for other Vision Projects:</b>		<b>\$184,307,702.00</b>

Assuming a 3.0% Growth

# Sales Tax Funds

## *Current & Proposed Structure*



## **Sales Tax Fund Structure**

### **Existing and Recommended Sales Tax Fund Structure City of Rapid City**

#### **Present Fund Structure**

<p>General Fund 46% of total \$23.4 million (2014)</p>	<p>CIP Fund 23% of total \$11.7 million (2014)</p>	<p>Vision Fund 23% of total \$11.7 Million (2014)</p>	<p>Utility Fund 8% of total \$4.1Million (2014)</p>
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## Sales Tax Fund Structure

### Existing and Recommended Sales Tax Fund Structure City of Rapid City

#### Present Fund Structure

<p>General Fund 46% of total \$23.4 million (2014)</p>	<p>CIP Fund 23% of total \$11.7 million (2014)</p>	<p>Vision Fund 23% of total \$11.7 Million (2014)</p>	<p>Utility Fund 8% of total \$4.1Million (2014)</p>
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#### Recommended Fund Structure

<p>General Fund 46% of total \$23.4 million (2014)</p>	<p>CIP / Vision Fund 46% of total \$23.4Million (2014)</p>	<p>Utility Fund 8% of total \$4.1Million (2014)</p>
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#### Accounting Structure

<p>General Fund 46% of total \$23.4 million (2014)</p>	<p>CIP / Vision Fund</p>		<p>Utility Fund 8% of total \$4.1 million</p>
	<p>CIP Account 23% of total \$11.7 million (2014)</p>	<p>Vision Account 23 % of total \$11.7 Million (2014)</p>	

## **Reasoning behind creating one fund**

- **With the current Vision fund and minimal coverage of 1.25x debt service, some other sales tax fund needs to be pledged in order to fund more than \$147 million in project cost**
- **Rating agencies generally expect a 1.50x or higher test for coverage and Additional Bonds Test (ABT) on sales tax issues**
- **This structure will reflect a very strong initial 1.80 times coverage**
- **This structure allows the City to include 1.50x ABT (currently 1.25x) which may improve the rating with only some limited ability to issue additional debt in the future**
- **The CIP has no other future obligations payable from it and has only been used as the pledged revenue for the Municipal Recycling Facility (MRF) in the past**
- **With either financing, we believe it is in the City's best interest to be transparent and understandable to investors**

## **Timeline**

- **Direct City Staff to prepare an ordinance revision to create one common fund with separate equal accounts for CIP and Vision**
  - **First reading potentially for September 2**
- **Direct City Staff to proceed with agreement with Bond Counsel**
- **Direct City Staff to proceed with a financing plan for project costs not to exceed \$180,000,000 for the Rushmore Plaza Civic Center and \$20,000,000 for a new main fire station and a new fire station at Western Dakota Technical Institute**