Arbitrage Rebate Compliance Services Contract

PRESENTED TO CITY COUNCIL– 7/20/26

MICHAEL FRANKLIN, DEPUTY DIRECTOR OF FINANCE

Arbitrage

- **Arbitrage**
  - When the City issues tax-exempt bonds, the IRS restricts how we can invest those proceeds. Arbitrage occurs when bond proceeds are invested at a yield higher than the bond’s interest rate, generating a profit from the tax-exempt status.
- **Importance**
  - Federal law requires the City to calculate and rebate any arbitrage earnings to the IRS every five years, or face loss of the bonds’ tax-exempt status which could increase future borrowing costs for the City.
- **How We Manage it**
  - The City of Burleson has worked with Hilltop Securities since 2016 on managing debt and ensuring compliance.

Hilltop Securities Contract

- **Responsibilities**
  - Hilltop prepares reports and calculations required by the IRS on behalf of the City of Burleson.
- **Fee**
  - $1,800 Annual Calculation Fee per bond.
  - Cost of $18,950 for FY 2025 calculations.

Fund	Account		
General	1011201-62001	$	5,028
4A	201-62001		4,053
4B	202-62001		1,912
W/WW	5017120-62001		7,005
TIF 2	2154201-62001		952
	Total	$	18,950

Recommendation

- Approve the contract with Hilltop Securities for Arbitrage Rebate Compliance Services.

Questions / Comments

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