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**City Council Regular Meeting**

**DEPARTMENT:** Finance

**FROM:** Michael Franklin, Deputy Director of Finance

**MEETING:** July 20, 2026

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**SUBJECT:**

Consider and take possible action on a five-year professional services agreement with Hilltop Securities Asset Management for Arbitrage Rebate Compliance Services, in the amount of \$150,000. *(Staff Contact: Michael Franklin, Deputy Director of Finance)*

**STRATEGIC PRIORITY AND GOAL(S):**

| Strategic Priority                                                                                                                                                                         | Strategic Goal                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p><b>High Performing City Organization</b><br/>Providing Exceptional,<br/>People Focused Services</p> | <ul style="list-style-type: none"><li>1.2 Continue to improve the efficiency and productivity of operations</li><li>1.3 Deliver high-quality service and communications to external and internal customers</li><li>1.4 Be a responsible steward of the city's financial resources by providing rates and fees that represent a strong value to our citizens; providing timely, accurate and transparent financial reporting; and utilizing long-range planning.</li></ul> |

**SUMMARY:**

When the City issues tax-exempt bonds, federal tax law prohibits profiting from investing those bond proceeds at a yield higher than the interest rate on the bonds themselves. Any earnings in excess of the bond yield are considered arbitrage, and the IRS requires those excess earnings to be calculated and rebated to the U.S. Treasury, typically every five years and upon final maturity of the bonds. Arbitrage rebate compliance is the process of tracking bond proceeds, calculating whether any rebate liability exists, and ensuring the City remains in compliance so its bonds retain their tax-exempt status.

Hilltop Securities Asset Management (HSAM) provides financial advisory, underwriting, and asset management services. HSAM has provided arbitrage services to the City of Burleson since 2016. This includes managing the rebate rules and associated filings for the City. HSAM

provides reports that summarize the City's position in its current obligations for future arbitrage payments.

HSAM has agreed to provide these services for an unchanged flat fee of \$1,800 per bond per year, representing no increase from the prior contract.

#### **PROCUREMENT:**

This contract is for specialized professional services that are exempt from competitive procurement requirements pursuant to Section 252.022(a)(4) of the Texas Local Government Code. Staff determined that Hilltop Securities Asset Management, LLC possesses the expertise and experience necessary to provide arbitrage rebate compliance services for the City's tax-exempt debt obligations. Hilltop has extensive experience providing these services to the City of Burleson and other Texas governmental entities and has demonstrated the necessary qualifications. Staff has determined their pricing to be fair and reasonable and that this procurement complies with applicable law and City policy.

#### **RECOMMENDATION:**

Staff recommends approval of a five-year contract with Hilltop Securities Asset Management for Arbitrage Rebate Compliance Services, in the amount of \$150,000.

#### **PRIOR ACTION/INPUT (Council, Boards, Citizens):**

City Council approved a five-year contract for Arbitrage Rebate Compliance Service with HSAM on May 3, 2021.

#### **REFERENCE:**

N/A

#### **FISCAL IMPACT:**

| Fund         | Account       | 2026             | 2027             | 2028             | 2029             | 2030             | Total             |
|--------------|---------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| General      | 1011201-62001 | \$ 5,983         | \$ 6,938         | \$ 7,893         | \$ 8,849         | \$ 9,804         | \$ 39,467         |
| 4A           | 201-62001     | 4,824            | 5,594            | 6,364            | 7,134            | 7,904            | 31,818            |
| 4B           | 202-62001     | 2,275            | 2,638            | 3,001            | 3,364            | 3,727            | 15,005            |
| W/WW         | 5017120-62001 | 8,336            | 9,667            | 10,997           | 12,328           | 13,659           | 54,987            |
| TIF 2        | 2154201-62001 | 1,133            | 1,314            | 1,495            | 1,675            | 1,856            | 7,473             |
| <b>Total</b> |               | <b>\$ 22,550</b> | <b>\$ 26,150</b> | <b>\$ 29,750</b> | <b>\$ 33,350</b> | <b>\$ 36,950</b> | <b>\$ 148,750</b> |

#### **STAFF CONTACT:**

Michael Franklin  
Deputy Director of Finance  
[mfranklin@burlesontx.com](mailto:mfranklin@burlesontx.com)  
817-426-9883