



**City Council
Regular Meeting
May 27, 2025**

Arbitrage Liability

Discuss and consider action: Resolution No. R2025-42: P. Langford

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BURNET, TEXAS, RESTRICTING CERTAIN FUNDS FOR FUTURE ARBITRAGE REBATE AND YIELD REDUCTION PAYMENT LIABILITIES AND DEPOSITING THE FUNDS IN ACCORDANCE WITH THE CITY'S INVESTMENT POLICY:



Arbitrage Liability

BACKGROUND

- In 2021, the City issued tax exempt bonds in the amount of \$5,755,000 to construct a new City Hall facility and a new jet hangar at the Airport, which are subject to the Internal Revenue Service (IRS) arbitrage rebate rules, specifically Section 148(f)(2) of the Internal Revenue Code of 1986, as amended.
- Arbitrage rebate rules require that the issuer rebate a portion of the profits made from investing the bond proceeds at a higher yield than the bond's yield (the arbitrage) back to the government.



Arbitrage Liability



The Arbitrage Group, Inc. was engaged by the City to calculate the City's Arbitrage earnings, and they calculated an arbitrage liability in the amount of \$409,835.58 due to the IRS in August 2026.



Staff is requesting to move unrestricted general fund reserves in the amount of \$300,000 and Airport reserves in the amount of \$100,000 into a "Restricted By Council" reserve account to be used to satisfy the Arbitrage liability.



Questions?

Recommendation

- Staff recommends approval of Resolution No. R2025-42 as presented.