



STAFF REPORT

SUBJECT: Consider Approval of Arbitrage Rebate Compliance Services Agreement with Hilltop Securities Asset Management, LLC

DEPARTMENT: Finance

STAFF CONTACT: Monica D. Harris

RECOMMENDATION:

Staff is requesting Council approval of Arbitrage Rebate Compliance Services Agreement with Hilltop Securities Asset Management, LLC.

BACKGROUND:

When debt is issued, proceeds are usually placed in accounts that earn interest until such time as the proceeds are spent. The Internal Revenue Service restricts the amount of interest that may be earned on such proceeds in that the investment yield may not exceed the bond yield. There are exceptions to the yield restrictions. Not following arbitrage rules can make tax exempt bonds become taxable.

FISCAL IMPACT SUMMARY:

The cost for the arbitrage rebate compliance services is \$1,600 per annual calculation period per bond. The anticipated cost for the current calculations is \$16,000. This is a five-year contract with an anticipated annual cost of \$2,400 to \$3,600 for future years. The annual cost is dependent on unspent bond proceeds. We currently have three debt issuances with unspent bond proceeds.

ALTERNATIVES

Not approve the contract.