



# City of San Antonio

## Agenda Memorandum

**File Number:**21-1698

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**Agenda Item Number:** 19.

**Agenda Date:** 3/4/2021

**In Control:** City Council A Session

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**DEPARTMENT:** Finance

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** City-Wide

### **SUBJECT:**

Arbitrage Rebate Compliance Services Contract for the City of San Antonio

### **SUMMARY:**

This Ordinance authorizes the execution of a contract with The Bank of New York Mellon Trust Company, N.A. to provide Arbitrage Rebate Compliance Services for a period to commence April 1, 2021 and terminate March 31, 2024, with an option to extend the contract for one additional two-year period under the same terms and conditions. Funding for this agreement will be derived from tax-exempt proceeds and the interest earned on the investment of such proceeds. The total estimated value of the contract is \$297,000.

### **BACKGROUND INFORMATION:**

The City contracts with qualified firms to provide Arbitrage Rebate Compliance Services in connection with the City's financings. Laws codified in Internal Revenue Service Code Section 148 and regulations promulgated by the United States Treasury mandate that interest income derived from the investment of tax-exempt proceeds in excess of the permitted arbitrage rate must be rebated to the United States Government. Arbitrage rebate compliance requires that computations be performed which are consistent with the complex technical requirements contained in the aforementioned laws and regulations to determine the rebate amount, if any. Any rebate amount due must be reported and paid to the United States Government. The scope of Arbitrage Rebate Compliance Services includes a comprehensive review of the City's outstanding tax-exempt obligations, debt service funds, debt service reserve funds, capital projects funds and other funds, into which tax-exempt proceeds have been deposited. Such services also encompass calculation and verification of the

arbitrage rate for each tax-exempt obligation for which an arbitrage rebate computation is required, on-going service with respect to questions that may arise from time to time concerning arbitrage rebate and assisting the City in responding to queries posed to the City related to arbitrage.

A Request for Proposal (RFP) for Arbitrage Rebate Compliance Services was developed inclusive of the various types of outstanding tax-exempt obligations, debt service funds, debt service reserve funds, capital projects funds and other funds, if any, into which the City may deposit tax-exempt proceeds during the term of the Arbitrage Rebate Compliance Services Contract. The RFP was advertised on November 1, 2020 in the San Antonio Express Newspaper, TVSA channel, the City's Bidding and Contracting Opportunities website, the San Antonio e-Procurement System (SAEPS) and an email notification was released to a list of potential respondents. The proposals were due on December 7, 2020. Three (3) proposals were received from The Bank of New York Mellon Trust Company, N.A, Hilltop Securities Asset Management LLC, and PFM Asset Management LLC.

A selection committee comprised of representatives from the Finance Department's Director's Office, Accounting Division, and Financial Management Division evaluated and scored the firms based on the following criteria: Experience, Background, and Qualifications; Proposed Plan; Price Schedule; Small Business Economic Development Advocacy Small Business Enterprise Prime Contract Program, Local Preference Program, and the Veteran Preference Program.

The Local Preference Program was applied in the evaluation of responses received for this contract; however, the highest ranked firm is not a local business. The Veteran-Owned Small Business Preference Program was applied in the evaluation of responses received for this contract; however, the highest ranked firm was not a veteran-owned small business.

The firms and their scores are listed in Attachment I.

The selection committee recommended the highest ranked firm, The Bank of New York Mellon Trust Company, N.A., to provide Arbitrage Rebate Compliance Services for the City.

## **ISSUE:**

The selection of a firm to provide Arbitrage Rebate Compliance Services for utilization on all debt financings is consistent with the City's prior actions to secure Arbitrage Rebate Compliance Services.

## **ALTERNATIVES:**

The City could choose to release a new Request for Proposal for Arbitrage Rebate Compliance Services; however, this process could delay the City's various arbitrage compliance calculations.

## **FISCAL IMPACT:**

An Ordinance authorizing the execution of a contract with The Bank of New York Mellon Trust Company, N.A. to provide Arbitrage Rebate Compliance Services for a period to commence April 1, 2021 and terminate March 31, 2024, with an option to extend the contract for one additional two-year period under the same terms and conditions. Fees for arbitrage rebate compliance services are paid from tax-exempt proceeds and the interest earned on the investment of such proceeds. Therefore, there is no impact on the City's Operating Budget. The

total estimated value of the contract is \$297,000.

**RECOMMENDATION:**

Staff recommends approval of this Ordinance that authorizes the contract with The Bank of New York Mellon Trust Company, N.A. to provide Arbitrage Rebate Compliance Services for a period to commence April 1, 2021 and terminate March 31, 2024, with an option to extend the contract for one additional two-year period under the same terms and conditions. The contract was procured by means of a Request for Proposal and the Contracts Disclosure Form is attached.