



# COMMISSIONERS COURT COMMUNICATION

REFERENCE NUMBER \_\_\_\_\_

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DATE: 05/02/2023

**SUBJECT: APPROVAL OF RENEWAL AGREEMENT WITH HILLTOP  
SECURITIES ASSET MANAGEMENT, LLC FOR ARBITRAGE  
REBATE COMPLIANCE SERVICES**

**\*\*\* CONSENT AGENDA \*\*\***

**COMMISSIONERS COURT ACTION REQUESTED**

It is requested that the Commissioners Court approve the attached renewal agreement with Hilltop Securities Asset Management, LLC ("HSAM"). for arbitrage rebate compliance services.

**BACKGROUND**

On June 2, 1992, through Court Order #67217, the Commissioners Court approved five-year contract with First Southwest for arbitrage rebate compliance services. The most recent contract was approved on January 23, 2018 through Court Order #126917. In 2019, First Southwest changed its name to HSAM. The five-year renewal contract provides for annual arbitrage calculations on each of the County's outstanding bond issues and automatically extends to any additional financing bonds (including financing lease obligations) issued during the term of this contract if such bonds are subject to the rebate requirements under Section 148(f)(2) of the Internal Revenue Code of 1986, as amended. Additionally, HSAM will complete the required Internal Revenue Service forms and provide a report to the County specifying the arbitrage amount based on calculations and other information that is deemed relevant.

Arbitrage, as defined by Treasury regulations, is the ability to obtain tax-exempt funds and invest those funds in higher yielding taxable securities, resulting in a profit to the issuer. Arbitrage is the profit earned from investing low yielding tax-exempt bond proceeds in higher yielding taxable securities.

The Criminal District Attorney's Office has approved this agreement as to form.

**FISCAL IMPACT**

The annual base fees for arbitrage rebate compliance services related to the County's tax-exempt obligations will be \$1,600.00 per issue per calculation year if computation is required. This rate remains unchanged from the 2018 contract rate. All arbitrage fees are paid from the interest earnings in each of the bond funds. If the proceeds have been exhausted, the General Fund pays the difference.

SUBMITTED BY:	Administrator's Office	PREPARED BY: APPROVED BY:	Maegan P. South
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