

BUDGET AND FINANCE COMMITTEE REPORT relative to authorization to negotiate and execute a contract with BLX Group LLC in the amount of \$160,000 for arbitrage calculation services for the City's various debt financing programs.

Recommendation for Council action:

APPROVE and AUTHORIZE the City Administrative Officer (CAO) to negotiate and execute a contract between the City and BLX Group LLC for arbitrage calculation services in an annual amount not to exceed \$160,000 over a period of three years, with two optional one-year extensions, subject to the approval of the City Attorney as to form.

Fiscal Impact Statement: The CAO reports that an appropriation of \$300,000 is included in the 2018-19 Adopted Budget, Capital Finance Administration Fund, General Administration Account, for costs associated with administering the City's General Fund bond programs, including services for arbitrage calculation; therefore, no additional fiscal impact to the General Fund.

Community Impact Statement: None submitted.

TIME LIMIT FILE - SEPTEMBER 28, 2018

(LAST DAY FOR COUNCIL ACTION - SEPTEMBER 28, 2018)

SUMMARY

At its regular meeting held on August 6, 2018, the Budget and Finance Committee considered a report from the CAO, dated July 30, 2018, relative to authorization to negotiate and execute a contract with BLX Group LLC, in an amount not to exceed \$160,000 over three-year period with two optional one-year extensions, for arbitrage calculation services for the City's various debt financing programs.

The CAO reports that the Tax Reform Act of 1986 placed restrictions on the ability of borrowers to earn interest on investments in excess of the yield rate on tax-exempt bonds (excess earnings are known as *arbitrage*). The restrictions require the City to compute and periodically rebate to the United States Treasury any arbitrage earned in connection with its tax-exempt bond issuances. The City retains an outside firm to perform the necessary arbitrage rebate calculations, and CAO selected BLX Group LLC through a Request for Proposals to perform these services. The CAO further reports that funding has been appropriated in the 2018-19 Adopted Budget to cover arbitrage calculation services for the bond programs that require them.

After providing an opportunity for public comment, the Committee approved the recommendations in the CAO report. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

BUDGET AND FINANCE COMMITTEE

A handwritten signature in blue ink that reads "Paul Kukoni". The signature is written in a cursive style with a large initial "P".

<u>MEMBER</u>	<u>VOTE</u>
KREKORIAN:	YES
ENGLANDER:	ABSENT
KORETZ:	YES
BLUMENFIELD:	ABSENT
BONIN:	YES

REW 8/6/18 FILE NO. 18-0705

-NOT OFFICIAL UNTIL COUNCIL ACTS-