Arbitrage 3RB

COMMISSIONERS COURT CONSENT AGENDA REQUEST

NAME: **Bill Sinclair** TITLE: **County Treasurer**

REQUEST DATE: **March 30, 2009** COURT DATE: **April 14, 2009**

TELEPHONE: **(972) 204-6100**

REMARKS: The attached report is submitted for acceptance by the Commissioners Court. I am available to discuss the report upon request of any member of the Court.

CONCENT AGENDA ITEM: **BILL SINCLAIR, County Treasurer/Investment Officer, Receive Treasurer's Memo for the Record dated 3/30/09 – Arbitrage Rebate – Outstanding Obligations and Debt Service Fund.**

FISCAL IMPACT: **Not Applicable**

RETURN TO:
ROCKWALL COUNTY JUDGE
101 EAST RUSK STREET ROOM 202
ROCKWALL, TEXAS 75087

DATE AND TIME RECEIVED BY
COUNTY JUDGE'S OFFICE:

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DEPARTMENTAL CORRESPONDENCE
Rockwall County Treasurer's Office
972-204-6100

March 30, 2009

To: Memo for the Record

Subject: Arbitrage Rebate – Outstanding Obligations and Debt Service Fund

Attachment: March 29, 2009 Email from Shelley Weiske, Sr. VP, Arbitrage Rebate Compliance Services, First Southwest Asset Management

The attached report is provided for the record. It indicates that the County has no material exposure to arbitrage rebate on its debt obligations. It states that our debt service fund had a small surplus in excess of allowable balance.

During the upcoming budget process for fiscal year 2010, we will calculate the projected surplus at the end of the current fiscal year and reduce the debt service requirements for FY2010 accordingly. This action is expected to mitigate the rebate risk.

Bill Sinclair
County Treasurer

Printed: 3/30/2009 8:07 AM

Bill Sinclair

From:	Shelley Weiske [SWeiske@firstsw.com]
Sent:	Sunday, March 29, 2009 6:20 PM
To:	Bill Sinclair
Cc:	Brad Emerson
Attachments:	Rockwall County, TX Final Summary of Rebatable Arbitrage (9.30.08).pdf

Bill,

I've finally had a chance to finish going through the fiscal year 9/30/08 debt service fund information you sent over and I've completed my analysis on that fund as well as finalized the arbitrage results as of your fiscal year ended 9/30/08 (see attached summary).

As for the debt service fund, as we discussed previously I have confirmed that the fund contained a surplus balance with respect to the rebate analysis (roughly $560K) surplus in fiscal year 2008. The aggregate activity in the Cash in Bank and MBIA Investment accounts was evaluated and the "surplus" determined as of the date the invested balance was at its lowest level. The overall aggregate investment yield on the debt service fund was slightly over 3%, and so because the earnings rate was below the yields on the bond issues that require calculations the issues affected by the allocation of the surplus balance received a benefit (i.e., additional negative arbitrage) in the calculations. The size of the surplus balance is not a problem at this time with respect to the arbitrage analysis.

I'll closely evaluate the debt service fund when we do the fiscal year 2009 calculation updates and then we can talk at length about the status, etc. In the meantime, if you have any questions, don't hesitate to let me know.

Shelley Weiske
Senior Vice President
Arbitrage Rebate Compliance Services
First Southwest Asset Management
325 N. St. Paul Street, Suite 800
Dallas, TX 75201
Phone: (214) 953-8756
Fax: (214) 840-5040

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Rockwall County, Texas
Summary of Rebatable Arbitrage and Yield Restriction
As of September 30, 2008
(for bond issues outstanding / evaluated as of date of this summary)

Final Numbers*

Delivery Date	Issue Par	Issue Description	Arbitrage Bond Yield	Rebatable Arbitrage / Yield Restriction 09/30/07	Rebatable Arbitrage / Yield Restriction 09/30/08	Upcoming Payments: Next IRS Calc Date**	Upcoming Payments: Next IRS Pay Date**
03/03/98	4,500,000	Certificates of Obligation (Ltd. Tax), Series 1998	4.529506%	(1)	(1)		
06/12/01	3,900,000	Permanent Improvement Bonds, Series 2001 (Ltd. Tax)		(2)	(2)		
12/02/03	850,000	Limited Tax Notes, Series 2003		(2)	(2)	2/1/2010	4/2/2010
11/04/04	950,000	Limited Tax Notes, Series 2004		(2)	(2)	11/4/2009	1/4/2010
11/30/05	550,000	Limited Tax Notes, Series 2005		(3)	(4)	11/30/2010	1/31/2011
05/24/07	11,500,000	Permanent Improvement Bonds (Ltd Tax), Series 2007	4.338835%	37,633.77 (5)	1,295.68 (5)		
09/18/07	1,250,000	Limited Tax Notes, Series 2007	3.947772%	(6)	(6,476.55)		
06/17/08	30,000,000	Limited Tax Notes, Series 2008	VR	N/A	(6)		
09/25/08	2,000,000	Limited Tax Notes, Series 2008A		N/A	(6)		
		Total Cumulative Liability		**$37,633.77**	**$1,295.68**		

(1) Funds previously spent; negative arbitrage liability.
(2) Met Small Issuer Exception for calendar year. The County has previously confirmed that the proceeds were spent within the permitted temporary period; consequently, we have not performed any calculations for this issue.
(3) Met Small Issuer Exception for calendar year.
(4) We have confirmed with the County that unspent proceeds in excess of the Minor Portion Amount of $27,500 remained as of November 30, 2008 (the end of the 3 year temporary period for capital projects proceeds). Consequently, we will perform a formal yield restriction calculation next fiscal year.
(5) Cumulative spending as of fiscal year end indicates that issue is on track to meet the requirements of the 2-year spending exception. Liability presented for informational purposes.
(6) Due to short period from issue date to current fiscal year end, first calculation to be performed next fiscal year.
VR - Variable Rate.

**Unless otherwise noted, all liabilities represent annual estimations of the rebate and yield restriction amounts as of your current fiscal year end.*

***Next IRS Pay date represents potential payments that are upcoming in the next two years from the current fiscal year end. Actual IRS Calculation Dates and Payment Dates may be Accelerated as a result of Refundings / Defeasances occurring after the date of this summary.*