

Memorandum



CITY OF DALLAS

DATE October 22, 2010

TO Members of the Budget, Finance & Audit Committee:
Chair Jerry R. Allen, Vice-Chair Ann Margolin, Vonciel Jones Hill, Angela Hunt,
Delia D. Jasso, Ron Natinsky, David A. Neumann

SUBJECT Arbitrage Rebate Calculation and Compliance Services

The November 10th Council Agenda will include an item to award a five-year contract for arbitrage rebate calculation and compliance services to First Southwest Asset Management, Inc. in a not-to-exceed amount of \$38,000 annually beginning January 1st 2011 through December 31st 2016. The contract will be for all applicable debt obligations outstanding and debt issued during contract period.

Compliance with Internal Revenue Code Section 148 is required for all issuers of debt that offers interest exempt from Federal income taxes. Arbitrage is the difference between the interest paid on tax-exempt bonds and the interest earned by investing the proceeds of the bonds in higher-yielding taxable securities. Federal income tax laws generally restrict the ability to earn arbitrage in connection with tax-exempt bonds. In addition, issuers of Build America Bonds, which are taxable, are also required to demonstrate compliance with this section of the Internal Revenue Code. There are currently over 40 outstanding bond issues for the City for which arbitrage calculations will be performed. Additionally, any bonds issued subsequently may require computations during the term of the contract. Specifically, the contract includes the following services:

- Performing annual arbitrage calculations as of September 30th for all eligible outstanding obligations
- Monitoring all required Internal Revenue Service filing dates
- Post-issuance record retention policies and procedures compliance monitoring with IRS Regulations

The successful proposer was selected by the committee on the basis of demonstrated competence and qualifications under the following criteria:

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| • Cost | 30% |
| • Overall Approach and Methodology | 30% |
| • Firm Experience | 25% |
| • Business Inclusion and Development Plan | 15% |

Of the seven responses received, First Southwest Asset Management, Inc. best met all of the qualifications and conditions listed in the Request for Proposals. First Southwest Asset management is the current contractor for this service.

As part of the solicitation process and in an effort to increase competition, Business Development and Procurement Services (BDPS) used its procurement system to send out 141 email bid notifications to vendors registered under respective commodities. To further increase competition, BDPS uses historical solicitation information, the internet, and vendor contract information obtained from user departments to contract additional vendors by phone. Additionally, in an effort to secure more bids, notifications were sent by the BDPS' ResourceLINK Team (RLT) to 25 chambers of commerce, the DFW Minority Business Council and the Women's Business Council – Southwest, to ensure maximum vendor outreach.

Please let me know if you need additional information.



Jeanne Chipperfield
Chief Financial Officer

- c: Honorable Mayor & Members of the City Council
Mary K. Suhm, City Manager
Deborah A. Watkins, City Secretary
Tom P. Perkins, City Attorney
Craig D. Kinton, City Auditor
Ryan S. Evans, First Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest E. Turner, Assistant City Manager
Deborah A. Watkins, City Secretary
Frank Libro, Public Information Office
Helena Stevens-Thompson, Assistant to the City Manager